



Fort Dodge Community School District
Fort Dodge, Iowa

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FORT DODGE COMMUNITY SCHOOL DISTRICT**

Fort Dodge, Iowa

Fiscal Year Ended June 30, 2014

OFFICIAL ISSUING REPORT

Brandon C. Hansel,

Director of Financial Services

OFFICE ISSUING REPORT

Office of Financial Services

FORT DODGE COMMUNITY SCHOOL DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

| | | |
|--|----------------|---------|
| INTRODUCTORY SECTION | | Page |
| Letter of Transmittal | | 1 – 5 |
| Certificate of Achievement for Excellence in Financial Reporting from GFOA | | 6 |
| Certificate of Excellence in Financial Reporting from ASBOI | | 7 |
| Organizational Chart | | 8 |
| Board of Education | | 9 |
| School District Administration | | 10 |
| <hr/> | | |
| FINANCIAL SECTION | | |
| Independent Auditor's Report | | 11 – 12 |
| Management's Discussion and Analysis (MD&A) | | 13 – 26 |
| Basic Financial Statements | <u>Exhibit</u> | |
| Government-Wide Financial Statements: | | |
| Statement of Net Position | A | 27 – 28 |
| Statement of Activities | B | 29 – 30 |
| Governmental Fund Financial Statements: | | |
| Balance Sheet | C | 31 – 32 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position | D | 33 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E | 34 – 35 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities | F | 36 |
| Proprietary Fund Financial Statements: | | |
| Statement of Net Position | G | 37 |
| Statement of Revenues, Expenses, and Changes in Net Position | H | 38 |
| Statement of Cash Flows | I | 39 |
| Fiduciary Fund Financial Statements: | | |
| Statement of Fiduciary Net Position | J | 40 |
| Statement of Changes in Fiduciary Net Position | K | 41 |
| Notes to the Financial Statements | | 42 – 55 |
| Supplementary Information | | |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund | | 56 |
| Notes to Required Supplementary Information – Budgetary Reporting | | 57 |
| Schedule of Funding Progress for the Retiree Health Plan | | 58 |

TABLE OF CONTENTS
(Continued)

| FINANCIAL SECTION (CONTINUED) | | Page |
|---|--------------------------|------|
| Supplementary Information (Continued): | <u>Schedule</u> | |
| Nonmajor Governmental Funds: | | |
| Balance Sheet | 1 | 59 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 2 | 60 |
| Capital Projects Accounts: | | |
| Combining Balance Sheet | 3 | 61 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 4 | 62 |
| Internal Service Funds: | | |
| Combining Statement of Net Position | 5 | 63 |
| Combining Statement of Revenues, Expenses and Changes in Net Position | 6 | 64 |
| Combining Statement of Cash Flows | 7 | 65 |
| STATISTICAL SECTION | | |
| <i>Financial Trends</i> | <u>Statistics</u> | |
| Net position by component, last ten fiscal years | 1 | 66 |
| Expenses, program revenues and net (expense) revenue, last ten fiscal years | 2 | 67 |
| General revenues and total change in net position, last ten fiscal years | 3 | 68 |
| Fund balances – governmental funds, last ten fiscal years | 4 | 69 |
| Governmental funds revenues, last ten fiscal years | 5 | 70 |
| Governmental funds expenditures and debt service ratio, last ten fiscal years | 6 | 71 |
| Other financing sources (uses) and net change in fund balances – governmental funds, last ten fiscal years | 7 | 72 |
| <i>Revenue Capacity</i> | | |
| Assessed value and actual value of taxable property, last ten fiscal years | 8 | 73 |
| Direct and overlapping property tax rates, last ten fiscal years | 9 | 74 |
| Principal property taxpayers, current year and five years ago | 10 | 75 |
| Property tax levies and collections, last seven fiscal years | 11 | 76 |
| <i>Debt Capacity</i> | | |
| Outstanding debt by type, last ten fiscal years | 12 | 77 |
| Direct and overlapping governmental activities debt, as of June 30, 2014 | 13 | 78 |
| Legal debt margin information, last ten fiscal years | 14 | 79 |
| <i>Demographic and Economic Information</i> | | |
| Demographic and economic statistics, last ten calendar years | 15 | 80 |
| Principal employers, current year and nine years ago | 16 | 81 |
| Full-time equivalent district employees by type, last ten fiscal years | 17 | 82 |
| <i>Operating Information</i> | | |
| Operating statistics, last ten fiscal years | 18 | 83 |
| School Building Information, last ten fiscal years | 19 | 84 |

TABLE OF CONTENTS
(Continued)

| SINGLE AUDIT SECTION | Page |
|--|-------------|
| Schedule of Expenditures of Federal Awards | 85 |
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u> | 86 – 87 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 | 88 – 89 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 90 – 92 |



FORT DODGE COMMUNITY SCHOOL DISTRICT

OUR SCHOOLS. OUR COMMUNITY. OUR **PRIDE.**

December 1, 2014

To President Cochran, Members of the Board of Directors, and patrons of the Fort Dodge Community School District:

It is indeed my pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) for the Fort Dodge Community School District for the fiscal year ended June 30, 2014. The report has been prepared to conform to guidelines recommended by the Association of School Business Officials (ASBO) International and the Government Finance Officers Association (GFOA) of the United States and Canada.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the various funds of the District in accordance with generally accepted accounting principles, (GAAP). It includes all District funds. All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

The 2014 Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Single Audit. The Introductory Section includes a transmittal letter, the District's organizational chart, and a list of District officials.

The financial section consists of the independent auditor's report, Management's Discussion and Analysis, audited basic financial statements, required supplemental information, and combining and individual fund statements and schedules. The audited basic financial statements present both an overview and a broad long-term perspective of the School District as a whole in the government-wide financial statements. The Management's Discussion and Analysis presents financial highlights and information.

The Statistical Section sets forth selected unaudited financial and demographic information, and is divided into five categories of information generally presented on a multi-year basis, including financial trends, revenue capacity, debt capacity, demographic and economic information, and operating.

The Single Audit section contains all necessary schedules and independent auditor's reports required for the District to comply with provisions of the Single Audit Act Amendment of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview of the basic financial statement. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Reporting Entity

This report includes all funds and account groups that are part of the Fort Dodge Community School District. The District is a separate reporting entity and is not included in any other reporting entity. A seven-member elected Board of Education, serving staggered terms of four years, governs the Fort Dodge Community School District. The Board of Education is a policy-making and planning body whose decisions are carried out by school administrators. The District is subject to the general oversight of the Iowa Department of Education. This oversight generally includes an approval process that reviews compliance with standards enacted by legislative mandate.

The City of Fort Dodge is located in the northeast part of Webster County, Iowa, on the Bluffs of the Des Moines River and surrounds the Fort Dodge Community School District. Fort Dodge is Iowa's 20th largest city with a population of 25,206 as reported by the 2010 census. Fort Dodge traces its beginnings to 1850 when soldiers from the United States Army erected a fort at the junction of the Des Moines River and Lizard Creek. It was named after Henry Dodge, a U.S. senator from Wisconsin. The fort was abandoned in 1853 and the next year William Williams, a civilian storekeeper in Fort Dodge, purchased the land and buildings of the old fort. The town of Fort Dodge was founded in 1869. In 1872 the long and continuing history of gypsum production in Iowa started when George Ringland, Webb Vincent, and Stillman T. Meserve formed the Fort Dodge Plaster Mills to mine, grind, and prepare gypsum for commercial use. The Company constructed the first gypsum mill west of the Mississippi River, at the head of what is now Gypsum Creek.

The Fort Dodge School District is the 25th largest of Iowa's over 300 K-12 public school systems. The enrollment is approximately 3,729 students. The District provides a full range of educational services appropriate to students in early childhood, preschool, transitional kindergarten, and grades kindergarten through twelve. These services include basic, regular and enriched academic education; special education for children with special needs; vocational education; and numerous individualized programs such as specialized instruction for students at-risk and for limited-English-speaking students.

The District is composed of one high school, one intermediate school, four elementary schools and an on-campus alternative educational program. Our early childhood learning facility houses the state four year old program and Headstart program. Student enrollment (pre-school through high school) for the 2013-14 school year was approximately 3,729 regular and special education students. The District employs approximately 600 persons of whom approximately 300 are professional staff and 300 are support staff.

The average age of our elementary buildings is 54 with our oldest elementary being built in 1912. Our intermediate building was new in 2013. The District has one high school that was constructed in 1958. All of our facilities are in usable condition as we follow a preventative maintenance schedule in order to maintain the integrity of our older facilities as well as preserve all the facilities in the District.

Economic Condition and Outlook

The District is located in the Northwest quadrant of the state. Being the largest community within an hour's drive, Fort Dodge serves as the commercial center for the region. As a regional hub, Fort Dodge has several large organizations that provide stability to the local economy. Trinity Regional Medical Center, Fort Dodge Regional Airport, Iowa Central Community College, Crossroads Mall, and many big box retail stores are a few examples. As a result of shifts in industry, Fort Dodge has experienced some economic loss over the years with the closure of several meat packing plants and other manufacturing related companies. The school District has experienced declining enrollment in recent years with the loss of over 500 students in the last 10 years. However, the strong agricultural climate in recent years has led to a resurgence in economic activity and business investment in the area. The development of an agricultural business park has attracted large companies such as Cargill to build a bio-fuel production facility. This project in particular has also attracted the attention of an international company who is constructing a facility for the production of amino acids used for livestock feed. FedEx is also constructing a new regional ground distribution center.

As a result of these new economic factors and the corresponding jobs that have been created, the District experienced an increase of 18.1 students for the 2013-2014 school year. The District continues to monitor the level of economic activity and is now projecting the rate of student enrollment decline to stop and level off with the potential for mild increases in enrollment for the next several years.

In recent years, the State of Iowa has faced an economic downturn that severely hampered its ability to fund schools at the same level as in prior years. The District has faced inadequate funding for state aid and other state-funded programs, and this was particularly demonstrated in the unprecedented 10% across the board state funding cut in the fall of 2009, the low 2% allowable growth for fiscal year 2011, and the unprecedented zero per cent allowable growth for fiscal year 2012. Allowable growth has been 2% for Fiscal year 2013 and 2014 as well.

Major Initiatives

The District continues to try to deal with its aging infrastructure. As a result the District decided to close down the two existing middle school buildings and build a new consolidated middle school facility. The remaining construction for the New Fort Dodge Middle School project was completed in fiscal year 2013 for a total project cost of \$35.5 million with approximately \$30 million being funded with sales tax revenue bonds and the remainder with sales tax revenue reserves saved up over the past several years.

Long-Term Financial Planning

Unassigned fund balance in the general fund improved in fiscal year 2014 by approximately \$.291 million due to the cash reserve levied by the Board of Education to improve fund balances and financial solvency for fiscal 2014 and offset by two percent allowable growth funding. This increase in fund balance increased our solvency ratio from 18.87% to 20.39% which is extremely important to meet unforeseen financing requirements, fund summer operations, and to obtain higher bond ratings as the District determines its facility needs for the future with bonding.

The State of Iowa has implemented lower allowable growth, mid-year budget reductions in past years, and not provided on time funding over the last several years. With a changing District like Fort Dodge, funds need to be built up to help cover expenses of enrollment fluctuations since funding is not received until the subsequent year. With approx. 80% of the District's resources required for salaries and benefits, staffing efficiencies will become a priority.

Relevant Financial Policies

Since the State of Iowa funding formula is pupil driven, an increase in total spending authority occurs by increasing the number of pupils or by increasing the cost per pupil. The cost per pupil can be increased by the legislature in setting the amount of allowable growth each year. Under the law, the legislature has thirty (30) days after receiving the governor's budget recommendation to set the state percent of growth for the year following the budget year. Legislature spring 2009 set the fiscal year 2010-2011 state percent of growth. However, in the spring of 2010, the statutory requirement to establish the percentage of allowable growth increase for K-12 schools and accompanying educational funding categories for the 2011-12 school year was delayed for one year. In the spring of 2011, zero percent allowable growth was determined for fiscal year 2011-12 and two percent allowable growth for fiscal 2012-2013. However, legislature in the spring of 2013 had once again failed to set allowable growth for fiscal year 2013-2014 or 2014-2015. Allowable growth is crucial in funding the needs of our growing District.

Internal Control

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal, state and local financial assistance, the District is also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. As a part of the District's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal awards programs, as well as to determine that the District has complied with applicable laws and regulations.

Budgetary Controls

In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing body. Activities of the General Fund, Special Revenue Funds, Enterprise Fund, Debt Service Fund and Capital Projects Fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the budgeted amount) is established by function and encompasses all fund types. To facilitate the monitoring of the legal provisions, and to provide more complete information to interested parties, the District prepares a more detailed budget for each fund. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. As demonstrated by the statements and schedules included in the Management's Discussion and Analysis included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Independent Audit

The Code of the State of Iowa requires an annual independent audit of the District to be performed by an accounting firm selected in a competitively bid process. The firm selected for the audit of the financial statements for the year ended June 30, 2014 was Schnurr & Company, LLP. The annual audit meets the requirements of the Code of Iowa, generally accepted auditing standards and the requirements of the 1996 Amendment to the Single Audit Act and related OMB Circular A-133. The auditor's report on the general-purpose financial statements and combining and individual fund statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in a separate section for internal controls and compliance.

Awards

The Government Finance Officers Association of the United States and Canada, (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fort Dodge Community School District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Association of School Business Officials International, (ASBO) awarded a Certificate of Excellence in Financial Reporting to the Fort Dodge Community School District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This Certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

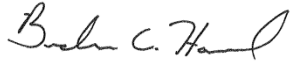
We believe that our current CAFR also conforms to the requirements for the Certificate of Excellence in Financial Reporting and we are submitting it to ASBO to determine its eligibility for a Certificate.

Acknowledgements

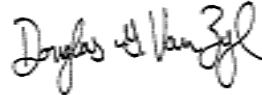
The preparation of this report could not be accomplished without the dedicated service and contributions of all necessary departments and personnel and advice from our auditors, Schnurr & Company, LLP. Finally, we would like to thank the Board of Education for their continued commitment to conducting the financial operations of the District with the highest level of responsibility and professionalism.

We are pleased to present this report of the results of the District's financial operation for the fiscal year ended June 30, 2014. It is our hope that study and review of this report will provide a better understanding of the District's financial operation.

Respectfully submitted,



Brandon C. Hansel, SBO
Director of Financial Services



Dr. Douglas G. Van Zyl
Superintendent of Schools



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Fort Dodge Community
School District, Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emen".

Executive Director/CEO

Association of School Business Officials International



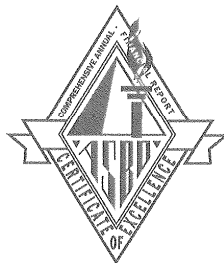
*The Certificate of Excellence in Financial Reporting Award
is presented to*

Fort Dodge Community School District

For Its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2013

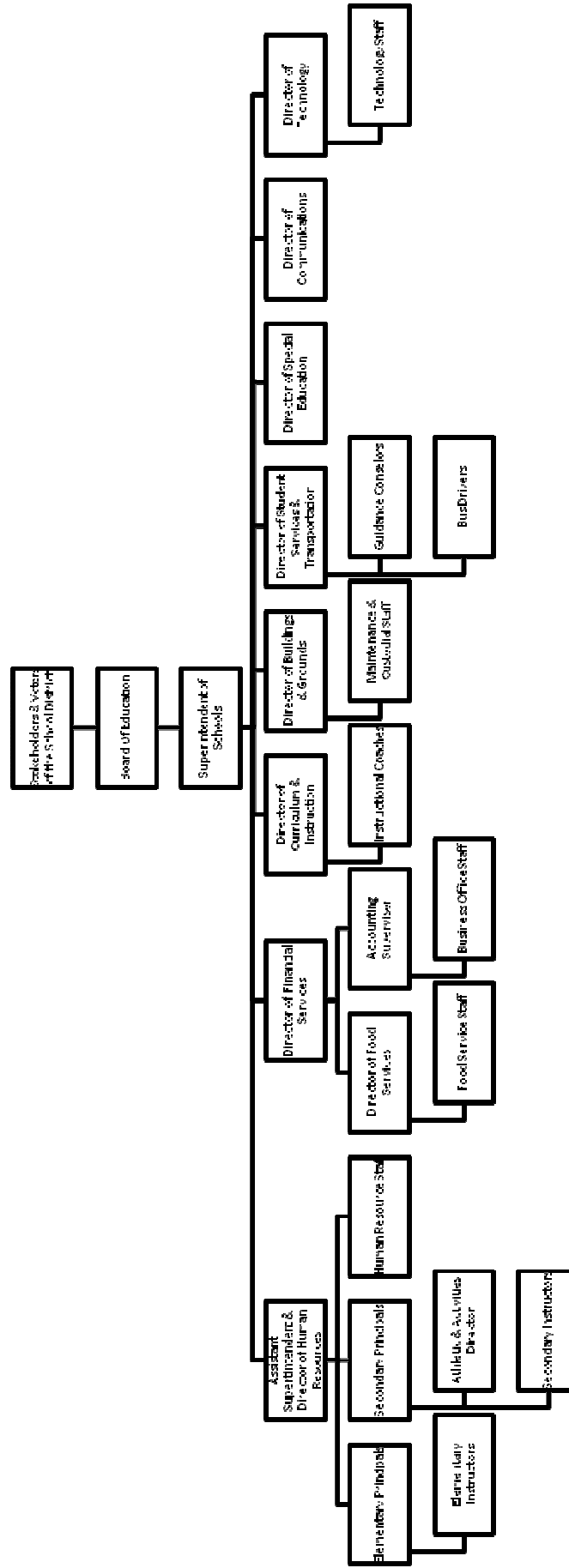
The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

Fort Dodge Community School District Organizational Chart



FORT DODGE COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION

| <i>NAME</i> | <i>POSITION</i> | <i>TERM EXPIRES</i> |
|------------------------------------|------------------------|----------------------------|
| (Prior to September 2014 Election) | | |
| Stuart Cochrane | President | 2017 |
| Brian Forsythe | Vice President | 2017 |
| Bill Kent | Board Member | 2015 |
| Lisa Shimkat | Board Member | 2017 |
| Steve Springer | Board Member | 2015 |
| Kevin Rogers | Board Member | 2015 |
| Matthew Wagner | Board Member | 2015 |
| (After September 2014 Election) | | |
| Stuart Cochrane | President | 2017 |
| Brian Forsythe | Vice President | 2017 |
| Bill Kent | Board Member | 2015 |
| Lisa Shimkat | Board Member | 2017 |
| Steve Springer | Board Member | 2015 |
| Kevin Rogers | Board Member | 2015 |
| Matthew Wagner | Board Member | 2015 |

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHOOL DISTRICT ADMINISTRATION

| <i>NAME</i> | <i>POSITION</i> |
|---------------------|--|
| Dr. Douglas Van Zyl | Superintendent of Schools |
| Robert Hughes | Assistant Superintendent of Schools & Director of Human Resources |
| Brandon Hansel | Director of Financial Services |
| Stacey Cole | Director of Curriculum & Instruction |
| Brenda Janssen | Director of Food Services |
| Travis Filloon | Director of Buildings & Grounds |
| Lis Ristau | Director of Special Education |
| Jeremy Pearson | Director of Technology |
| Marcy Harms | Director of Student Services & Transportation |
| Jennifer Lane | Director of Communications |
| Dave Keane | High School Principal |
| Kevin Astor | High School Associate Principal |
| Allison Emery | High School Associate Principal |
| Lynnae Harvey | High School Associate Principal |
| Matt Elsbecker | Athletic Director |
| Ed Birnbaum | Middle School Principal |
| Mark Johnson | Middle School Associate Principal |
| Ryan Flaherty | Middle School Associate Principal |
| Jerry Brown | Butler Elementary Principal |
| Bruce Hartley | Cooper Elementary Principal |
| Pat Reding | Duncombe Elementary Principal |
| Nancy Cross | Feelhaver Elementary Principal |
| Lis Ristau | Riverside Elementary Principal |

FINANCIAL SECTION



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Fort Dodge Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fort Dodge Community School District, Fort Dodge Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fort Dodge Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Dodge Community School District's basic financial statements. The supplementary information included in Schedules 1 through 7 and on pages 53 through 55, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2014 on our consideration of Fort Dodge Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Fort Dodge Community School District's internal control over financial reporting and compliance.

Schnurr & Company, LLP

Fort Dodge, Iowa
December 15, 2014

FORT DODGE COMMUNITY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Fort Dodge Community School District's annual financial report presents our discussion. Since all activities are required to be reported on a full accrual basis, a comprehensive comparison to the prior year has been made as is required to provide comparison of key current year data to prior year data. (Please refer to Table A-1 for comparison of the fiscal years.) Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net position in fiscal year 2014 increased 2.62 percent to \$37,154 million. The Governmental Activities net position increased 2.51 percent, while the business type activities net position increased 8.71 percent. (See Table A-1) Overall revenues were \$47.049 million, and expenses were \$48.703 million.
- During fiscal year 2014 the District completed the construction of the new Fort Dodge Middle School building and closed the two existing middle school buildings that were sold to a developer in July of 2014. The district was able to use the proceeds from the sale of the Phillips Middle School gym to pay off the outstanding balance on the loan from the Capital Projects Fund to the Physical Plant and Equipment Fund.
- A continued low level in market interest rates resulted in the General Fund interest income decreasing from \$41,554 in fiscal year 2013 to \$37,610 in fiscal year 2014. Total District interest earnings were \$104,488. Interest rates have continued to remain at low levels for the past several years as Federal Reserve policy remains targeted toward a low rate environment.
- The General Fund ending unassigned fund balance increased from \$6.927 million in fiscal year 2013 to \$7.669 million in fiscal year 2014.
- The self insured dental internal service fund incurred a net loss of \$28,393. The District had a balance of \$212,187 at the end of the fiscal year, which is over eight months' worth of reserves. The premium levels will need to be adjusted for future years to maintain the necessary reserves.
- The District Statement of Net Position indicates an unrestricted net balance of \$6.443 million at the end of the 2014 fiscal year, which is up from \$3.766 million at the end of the 2013 fiscal year. This is a 71.09 percent increase from the previous year. This is due to a variety of factors including property and other taxes levied as well as the increases in state and local revenues not restricted to any specific purpose.
- The District revenues increased 4.20 percent in the 2014 fiscal year compared to a 3.44 percent decrease in the 2013 fiscal year, while the District expenses increased 6.96 percent in the 2014 fiscal year compared to 1.42 percent decrease in the 2013 fiscal year. Please refer to Table A-2 for a breakdown of the revenues and expenses.
- The Fort Dodge Community School District certified enrollment count taken on October 1, 2013, was 3,729.9. This count represents an increase of 18.1 students from the prior year. This is the second year in the past 10 years that there has been an enrollment increase. The historic enrollment trend for the District has been downward; however, recent local economic development has provided job growth in the area which can be attributed to the enrollment increase.
- The 2014 special education program ended the year with a deficit balance of \$424,130. The balance in fiscal year 2013 was a deficit \$295,624.

MANAGEMENT DISCUSSION AND ANALYSIS

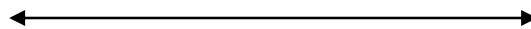
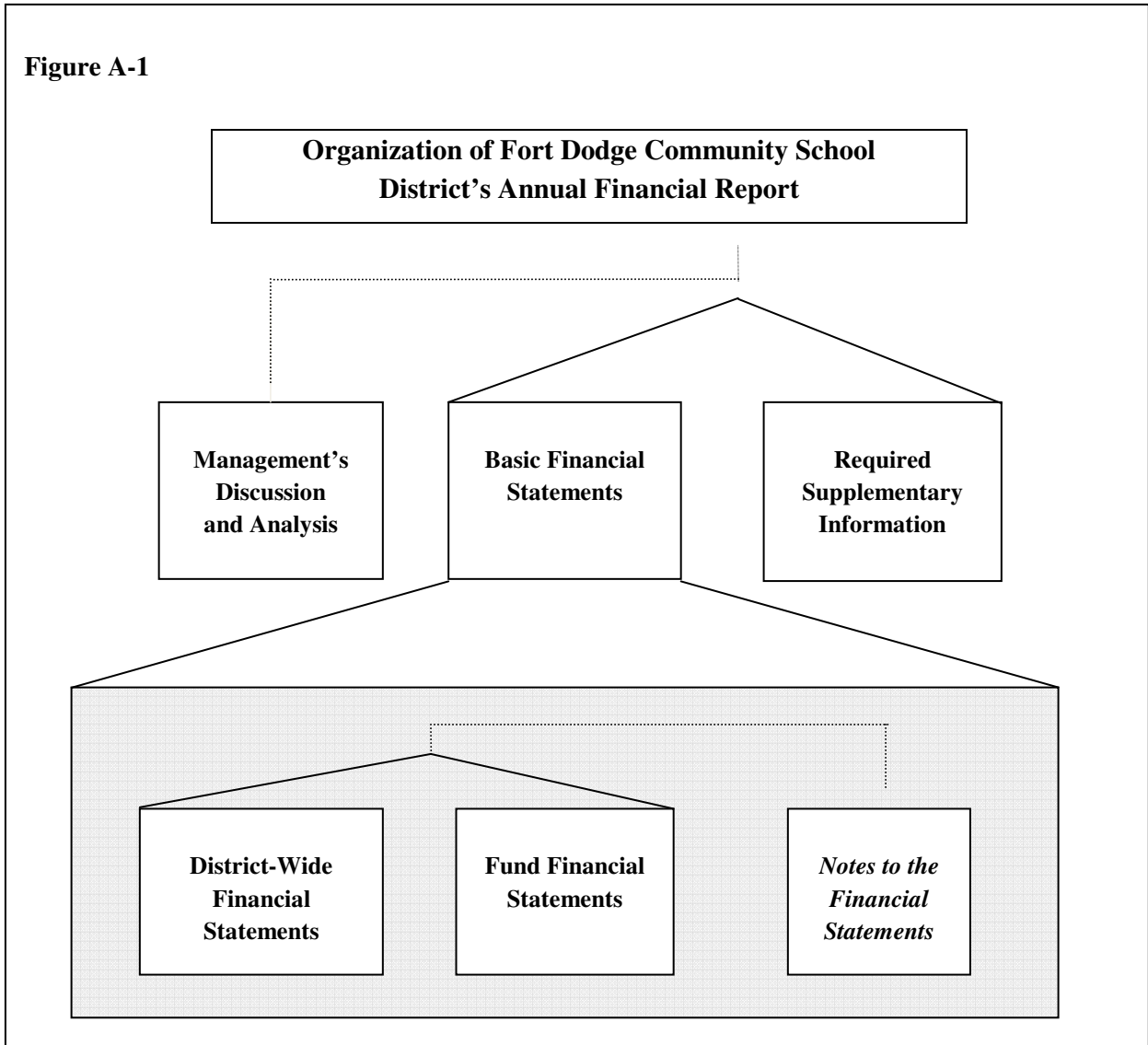
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* (Statement of Net Position and Statement of Activities) that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the district operates *like businesses*, such as food services.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 on this page summarizes the major feature of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of Government-wide and Fund Financial Statements

| | District-wide Statements | Governmental Funds | Fund Financial Statements Proprietary Funds | Fiduciary Funds |
|--|---|---|---|---|
| Scope | Entire District | The activities of the District that are not proprietary, such as special education and building maintenance | Activities the District operates similar to private businesses; school nutrition and the medical self insurance internal service fund included here | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | Statement of net position Statement of activities | Balance sheet Statement of revenues, expenditures, and changes in fund balances | Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows | Statement of fiduciary net position Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid. | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*—The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- *Proprietary funds* - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise fund*, school nutrition (one type of proprietary fund), is the same as its business-type activities, but provides more detail and additional information, such as cash flows. *Internal service funds* (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds which handle the Flexible Spending Account and the Self Funded Dental Account.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. Table A-1 below provides a comparison of the District's net position as of June 30.

| | Table A-1 Condensed Statement of Net Position | | | | | | |
|----------------------------------|--|----------------------|--------------------------|-------------------|-----------------------|----------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | Percentage Change |
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013-2014 |
| Assets | | | | | | | |
| Current and other assets | \$38,046,174 | \$ 39,107,077 | \$ 591,250 | \$ 712,761 | \$38,637,424 | \$ 39,819,838 | 3.06% |
| Capital assets | 53,499,640 | 53,804,144 | 178,000 | 188,490 | 53,677,640 | 53,992,634 | 0.59% |
| Total assets | 91,545,814 | 92,911,221 | 769,250 | 901,251 | 92,315,064 | 93,812,472 | 1.62% |
| Liabilities | | | | | | | |
| Long-term debt outstanding | 35,997,943 | 34,419,078 | - | - | 35,997,943 | 34,419,078 | -4.39% |
| Other liabilities | 19,956,781 | 22,007,032 | 154,181 | 232,600 | 20,110,962 | 22,239,632 | 10.58% |
| Total liabilities | 55,954,724 | 56,426,110 | 154,181 | 232,600 | 56,108,905 | 56,658,710 | 0.98% |
| Net Position | | | | | | | |
| Net investment in capital assets | 23,146,756 | 24,953,137 | 178,000 | 188,490 | 23,324,756 | 25,141,627 | 7.79% |
| Restricted | 9,115,843 | 5,569,569 | - | - | 9,115,843 | 5,569,569 | -38.90% |
| Unrestricted | 3,328,491 | 5,962,405 | 437,069 | 480,161 | 3,765,560 | 6,442,566 | 71.09% |
| Total net position | \$35,591,090 | \$ 36,485,111 | \$ 615,069 | \$ 668,651 | \$36,206,159 | \$ 37,153,762 | 2.62% |

The District's combined net position was larger on June 30, 2014, than they were the year before--increasing 2.62% to \$37.154 million. (See Table A-1). Most of this change in the District's financial position came from its governmental activities, the net position of which grew \$.894 million to \$36.485 million. The net position of the District's business-type activities increased 8.71% to \$.669 million.

The District's financial position is the product of many factors. The various sources of tax revenue, grants, and charges for services exceeded related expenditures. The one percent local option sales tax funding the Capital Projects Fund has been especially helpful to the district. The \$3.588 million sales tax revenue received is exclusively used for capital projects, which will be expensed as depreciation over many years on the Statement of Activities.

Cash and pooled investments for governmental funds totaled \$23.098 million or 24.62% of total assets, up from 23.63% from fiscal 2013. \$11.530 million of these cash balances are needed at June 30th of each year to fund the district general fund operations in July, August, and the first half of September, when there is very little state aid or property tax revenue. \$3.328 million of cash and investments is dedicated to future capital project investments. This cash will be used for the continued renovation projects yet to be completed at the Senior High School as well as other district projects now that the district passed a new Revenue Purpose Statement in September of 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$13.935 million and related unearned revenue liability on the Statement of Net Position result from this requirement. Net property and equipment (capital assets) of \$53.993 million represents 57.55% of total assets for the 2014 fiscal year compared with \$53.678 million and 58.15% of total assets for the 2013 fiscal year.

Changes in Statement of Activities

Table A-2 recasts the Statement of Activities into a traditional revenue and expenses format. Unrestricted state aid accounts for 36.47% of total revenue, and property tax accounts for 26.17% for the 2014 fiscal year, compared with 36.21% and 28.50%, respectively, for the 2013 fiscal year. Specific categorical grants and contributions from state, federal, and private sources account for 20.18% of revenue for the 2014 fiscal year compared with 20.21% for the 2013 fiscal year. The local option sales tax dedicated to school infrastructure totals 6.55% for 2014 compared with 6.73% for the 2013 fiscal year. The charges for services, mainly tuition and student co-curricular activities, account for 5.62% for the 2014 fiscal year compared with 6.27% for the 2013 fiscal year. (See Figure A-2).

Of the District's expenses for 2014, 53.29% are predominately related to the instruction of students, compared with 58.80% for 2013. The support services, non-instructional programs, facilities acquisition, and unallocated depreciation categories account for 37.49% for 2014 compared with 35.07% of expenses for 2013. (See Figure A-4). These categories contain many line items directly supporting students and instruction, such as guidance, health, media, technology, improvement of instruction, and student transportation and food service program costs and depreciation expense not directly allocated to any functional area.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Statement of Activities (Continued)

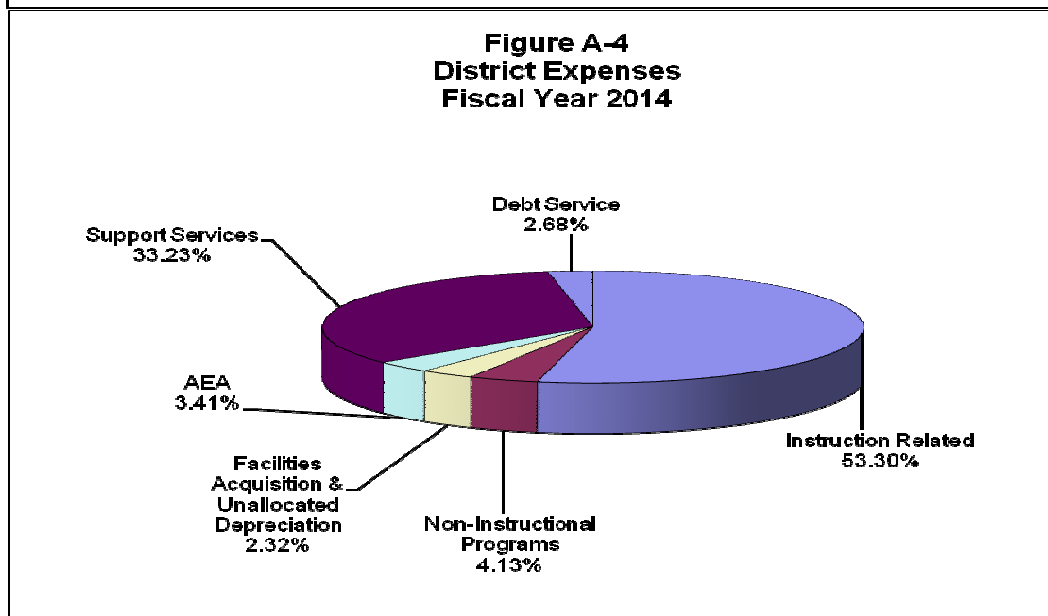
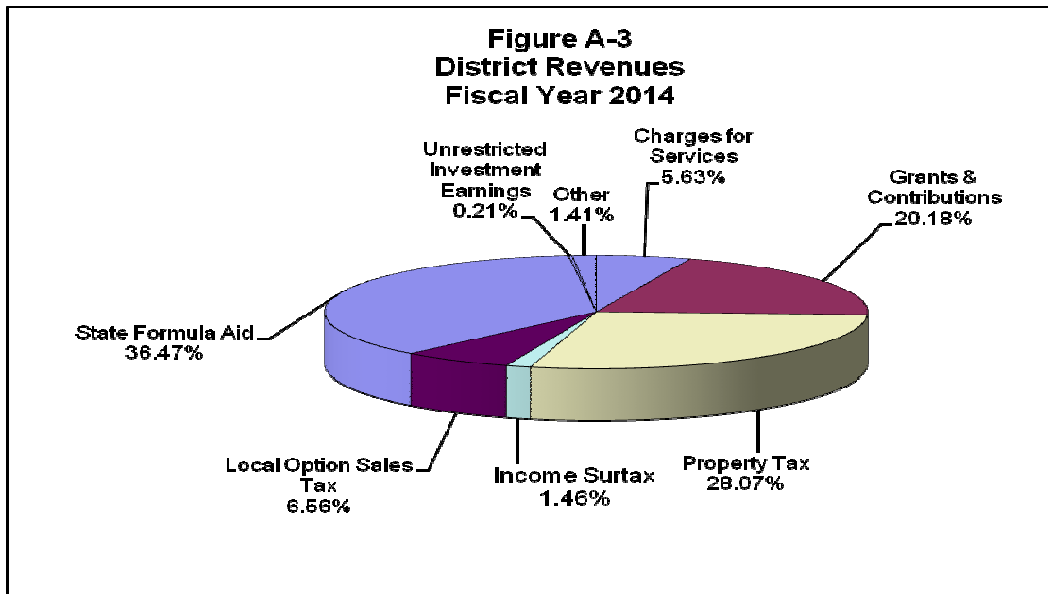
Operations and maintenance and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency.

| Table A-2 | | | | | | | |
|--|-------------------------|----------------------|--------------------------|-------------------|-----------------------|----------------------|----------------|
| Changes in Net Position | | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013-2014 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 2,298,253 | \$ 2,108,942 | \$ 662,130 | \$ 660,999 | \$ 2,960,383 | \$ 2,769,941 | -6.43% |
| Operating grants and contributions | 8,210,896 | 8,461,423 | 1,320,198 | 1,430,408 | 9,531,094 | 9,891,831 | 3.78% |
| Capital grants and contributions | 11,495 | 37,319 | - | - | 11,495 | 37,319 | 224.65% |
| General revenues: | | | | | | | |
| Property taxes, general | 12,561,620 | 12,879,378 | - | - | 12,561,620 | 12,879,378 | 2.53% |
| Income surtax | 589,334 | 719,872 | - | - | 589,334 | 719,872 | 22.15% |
| Local Option Sales Tax | 3,178,566 | 3,227,146 | - | - | 3,178,566 | 3,227,146 | 1.53% |
| Property tax, capital outlay | 897,211 | 932,823 | - | - | 897,211 | 932,823 | 3.97% |
| State formula aid | 17,095,868 | 17,946,255 | - | - | 17,095,868 | 17,946,255 | 4.97% |
| Unrestricted investment earnings | 144,842 | 100,673 | 1,807 | 1,853 | 146,649 | 102,526 | -30.09% |
| Other | 247,048 | 694,443 | - | - | 247,048 | 694,443 | 181.10% |
| Total revenues | 45,235,133 | 47,108,274 | 1,984,135 | 2,093,260 | 47,219,268 | 49,201,534 | 4.20% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 26,524,935 | 25,719,255 | - | - | 26,524,935 | 25,719,255 | -3.04% |
| Student services | 1,883,569 | 2,024,988 | - | - | 1,883,569 | 2,024,988 | 7.51% |
| Instructional staff services | 2,577,114 | 2,143,504 | - | - | 2,577,114 | 2,143,504 | -16.83% |
| Administrative and business | 3,906,223 | 4,243,014 | 60,947 | 54,067 | 3,967,170 | 4,297,081 | 8.32% |
| Maintenance and operations | 3,227,015 | 6,268,156 | - | - | 3,227,015 | 6,268,156 | 94.24% |
| Transportation | 1,211,024 | 1,300,391 | - | - | 1,211,024 | 1,300,391 | 7.38% |
| Non-instructional programs | 9,213 | 4,970 | 1,900,348 | 1,985,611 | 1,909,561 | 1,990,581 | 4.24% |
| Long-term debt interest and fiscal charges | 1,315,095 | 1,294,145 | - | - | 1,315,095 | 1,294,145 | -1.59% |
| AEA flowthrough | 1,589,663 | 1,647,708 | - | - | 1,589,663 | 1,647,708 | 3.65% |
| Depreciation (unallocated) | 907,094 | 1,568,122 | - | - | 907,094 | 1,568,122 | 72.87% |
| Total expenses | 43,150,945 | 46,214,253 | 1,961,295 | 2,039,678 | 45,112,240 | 48,253,931 | 6.96% |
| Increase in net position | \$ 2,084,188 | \$ 894,021 | \$ 22,840 | \$ 53,582 | \$ 2,107,028 | \$ 947,603 | -55.03% |
| Ending net position | \$35,591,090 | \$ 36,485,111 | \$ 668,651 | \$ 668,651 | \$36,206,159 | \$ 37,153,762 | 2.62% |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Statement of Activities (Continued)



Governmental Activities

Revenues for governmental activities were \$47.108 million, while expenses amounted to \$46.214 million for 2014, compared with \$45.235 million and \$43.151 million for 2013. The District does need to watch expenses to match as closely as possible with available revenues--the percentage increase in expenses (7.09 percent) was more than the revenue percentage increase (4.14 percent). The reason for this change is primarily attributed to expense increases in the Maintenance and Operations category relating to capital improvement projects. (See Table A-2).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities (Continued)

Table A-3 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, long-term debt, fiscal charges, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

| | Table A-3 | | | | | |
|----------------------------------|------------------------|----------------------|---------------------|----------------------|----------------------|---------------------|
| | Total Cost of Services | | Percentage | Net Cost of Services | | Percentage |
| | 2013 | 2014 | Change 2013-2014 | 2013 | 2014 | Change 2013-2014 |
| Instruction | \$ 26,524,935 | \$ 25,719,255 | -3.04% | \$19,203,925 | \$ 18,111,388 | -5.69% |
| Pupil and instructional services | 4,460,683 | 4,168,492 | -6.55% | 3,046,136 | 3,018,546 | -0.91% |
| Administrative and business | 3,906,223 | 4,243,014 | 8.62% | 3,906,223 | 4,243,014 | 8.62% |
| Maintenance and operations | 3,227,015 | 6,268,156 | 94.24% | 3,109,395 | 6,158,347 | 98.06% |
| Transportation | 1,211,024 | 1,300,391 | 7.38% | 1,144,715 | 1,245,356 | 8.79% |
| Other | 3,821,065 | 4,514,945 | 18.16% | 2,219,907 | 2,829,918 | 27.48% |
| Total | \$ 43,150,945 | \$ 46,214,253 | 7.10% | \$32,630,301 | \$ 35,606,569 | 9.12% |

- The cost of all governmental activities this year was \$46.214 million.
- Some of the cost (\$2.109 million) was financed by users of the District's programs.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of \$8.499 million.
- Most of the District's costs (\$35.607 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$13.812 million in property taxes, \$.720 million in income surtax, \$17.946 million in unrestricted state aid, \$3.227 million in local option sales taxes, and \$.795 million in interest and miscellaneous income.

Business - Type Activities

Revenues of the District's business-type activities (school nutrition services) were comprised of charges for the daily lunch and breakfasts, and federal and state reimbursements.

- During the 2014 fiscal year the amount of excess revenue was \$53,582 compared to \$22,840 for the 2013 fiscal year. Revenues did increase 5.49% to \$2,093,260, while expenses increased 3.99% to \$2,039,678.
- During the 2006-2007 fiscal year the District outsourced the food service employees to Taher, Inc. We have completed the eighth year under this arrangement, and it continues to work well for the district.
- Lunch prices increased this year by 10 cents in both student categories. The increase is due to the federally mandated lunch pricing equity guidelines and the rising costs of food.
- Purchased services for the 2014 year were \$903,846 compared with \$894,193 for the 2013 year, an increase of 1.07%. This category now includes the cost of personnel, as these services are now outsourced. Supplies for the 2014 fiscal year were \$1,049,386 compared with the 2013 year for which they were \$984,490, an increase of 6.59%.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. (Refer to the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.) As the District completed the year, its governmental funds reported combined fund balances of \$17.577 million—8.46% lower than the prior year's ending fund balance of \$19.201 million. The biggest reason for the decrease in the Governmental Fund Balance is due to the depletion of cash balance in the sales tax fund for the completion of the new Middle School building.

The District's General Fund financial position increased to \$8,591,565 at June 30, 2014 from \$8,300,542 at June 30, 2013, representing a 3.51% increase. This increase is primarily due to cash reserve levy.

The Special Revenue/Management fund balance increased to \$2,100,557 at June 30, 2014 from \$1,013,502 at June 30, 2013. This increase is due to an increase in the amount of money levied in the Management fund for FY14.

The Capital Projects fund balance decreased to \$2,070,950 at June 30, 2014 from \$5,172,608 at June 30 2013. This decrease is due to the expenditure of sales tax revenue bond proceeds and cash on hand for the new Middle School construction.

The Debt Service fund balance increased to \$4,389,888 at June 30, 2014 from \$4,372,959 at June 30 2013. This increase is reflecting the servicing of the sales tax revenue bonds.

In FY13 the enterprise fund (School Nutrition) showed a net gain of \$53,582. This was the ninth year in a row for gains in the School Nutrition Fund. This increase was more than the previous year's net gain of \$22,840. The biggest reason for this change was an increase in sales from the 2012-2013 fiscal year to the 2013-2014 fiscal year.

Budgetary Highlights

- The District levied \$1,061,717 for cash reserve in the 2014 fiscal year, up from \$1,000,000 in the 2013 fiscal year. This is an increase of 6.171%. The cash reserve amount will vary based on the District's needs, especially depending on the special education deficit, the amount requested from the School Budget Review Committee for asbestos and safety projects, and the District's requirements for sufficient cash balances for cash flow needs.
- Budgeted expenditures include both unspent spending authority from the prior year and general fund revenues.

During fiscal year 2014 district expenditures did not exceed the amounts budgeted in any functional category.

- The District's budget versus actual results was within acceptable management planning parameters. The final revenue variance was \$661,083 for the 2014 fiscal year compared with \$855,668 for the 2013 fiscal year, a decrease of \$194,585. The final expenditure variance was \$4,375,014 for the 2014 fiscal year compared with \$7,505,751 for the 2013 fiscal year. This is a decrease of \$3,130,737 from the 2013 fiscal year to the 2014 fiscal year.
- The 2014 special education deficit was (\$424,130). The balance in fiscal year 2013 was (\$295,623.92). The main reason for the deficit balance was the decrease the total student weighting served from the previous year equating to lower state revenue while maintaining current staffing and other expense levels.
- See the Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances-Budget and Actual – All Governmental Funds and Proprietary Fund in the Required Supplementary Information section.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Capital Asset and Debt Administration

Capital Assets

By the end of FY14, the District had invested \$53.993 million (net accumulated depreciation of \$21.782 million) in a broad range of capital assets, including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holding, and textbooks. This amount represents a net 0.59% increase from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was \$1.865 million.

During fiscal year 2014 the District focused on the successful completion of the new Fort Dodge Middle School. Construction was completed and the school formally placed into service for capital asset purposes. The two former middle school buildings were sold to a developer in July of 2014 and plans to turn them into apartment buildings while preserving the historical architecture of the buildings for the community to enjoy.

| Table A-4 | | | | | | | |
|-------------------------------------|-------------------------|----------------------|--------------------------|-------------------|--------------------------|----------------------|-----------------|
| Capital Assets, net of depreciation | | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013-2014 |
| Land | \$ 2,231,473 | \$ 2,231,473 | \$ - | \$ - | \$ 2,231,473 | \$ 2,231,473 | 0.00% |
| Construction in progress | 32,073,951 | 227,372 | - | - | 32,073,951 | 227,372 | -99.29% |
| Buildings | 17,216,487 | 49,299,972 | - | - | 17,216,487 | 49,299,972 | 186.35% |
| Improvements, other than buildings | 486,690 | 449,789 | - | - | 486,690 | 449,789 | -7.58% |
| Equipment and furniture | 1,491,039 | 1,595,538 | 178,000 | 188,490 | 1,669,039 | 1,784,028 | 6.89% |
| Total | \$53,499,640 | \$ 53,804,144 | \$ 178,000 | \$ 188,490 | \$53,677,640 | \$ 53,992,634 | 0.59% |

Long-Term Liabilities

At year end the District had \$34.419 million in long-term obligations outstanding—a decrease of 4.39% from last year, as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 6. Note 8 to the financial statements explains Other Post Employment Benefits—OPEB—that affected the District beginning in the 2009 fiscal year.)

| Table A-5 | | | |
|---|-------------------------|----------------------|-------------------------------|
| Outstanding Long-term Liabilities | | | |
| | Governmental Activities | | Total Percentage Change |
| | 2013 | 2014 | 2013-2014 |
| Early retirement and other compensated absences | \$ 4,552,943 | \$ 4,123,078 | -9.44% |
| Revenue Bonds | 30,495,000 | 29,260,000 | -4.05% |
| Net OPEB Liabilities | 950,000 | 1,036,000 | 9.05% |
| Total | \$35,997,943 | \$ 34,419,078 | -4.39% |

- The District decreased its Early Retirement and Other Compensated Absences liability by \$429,865 during the year, paid \$1,235,000 on its revenue bonds, and increased the OPEB liability by \$86,000 for a total decrease of \$1,578,865.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of eight existing circumstances that could significantly affect its financial health in the future:

- Even though the District is the twenty-fifth largest in the state in terms of students, it has one of the lowest ratios of taxable property value per student. This tends to raise property tax levies per thousand dollars of valuation to the higher end. Local property tax sensitivity has developed. In order to develop an effective education budget, the District needs to rely partially on the property tax levy.
- The age of the District's four older elementary schools and one early childhood building is a concern to the District. In order to deliver a modern education program using new technology and in order to control maintenance and safety costs, new elementary schools will need to be carefully examined and either replaced or added on to and updated. In 2008 the legislature adopted a statewide one cent sales tax for school infrastructure, which replaced the county-wide one half cent voted for the 10-year period that expired in July, 2009. This new school infrastructure funding mechanism will be in place until 2029 and will help the District provide for its long-term facility needs. The District has also completed a comprehensive building feasibility study to address these needs. The District has developed its building priority needs and will explore the options in 2014 and beyond.
- The District's primary source of revenue is the state of Iowa school aid formula. The allowable growth to schools was 2% for fiscal year 2014. Costs of providing a quality education program are rising faster than 2%. Teacher settlements alone over the past several years are in the 3.5% - 4.5% range. If future allowable growth increases do not keep pace with expenditures, the District will have to make the necessary re-alignments in its educational delivery system to come into line with allowable growth.
- More than 80 percent of the general fund budget is salaries and benefits. Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably, arbitrated settlements are higher than current levels of allowable growth in funding. Education budgets are then squeezed. A solution needs to be found.
- The District's unspent budget authority increased slightly during the 2014 fiscal year and is projected to increase for the 2015 fiscal year as more spending efficiencies are found.
- One of the key elements of the state of Iowa school aid formula is certified enrollment. Enrollment has decreased 5.72% during the last five years. When enrollment drops it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture.
- During FY13 the district took action to authorize an election to ask the voters for an increase of the levy to the statutory maximum of \$1.34. The voters approved an increase to the PPEL to the statutory maximum of \$1.34 per \$1,000 of taxable valuation and will remain in effect for a period of 10 years.
- During FY 13 the board of education took action to renew the levy for a period of 5 years at the statutory maximum level of 10% of the districts regular program budget. Currently the levy is funded through a mix of property tax and income surtax and stands at 10% of the regular program.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brandon Hansel, Board Treasurer/Director of Financial Services, Fort Dodge Community School District, Central Administration Building, 104 South 17th Street, Fort Dodge, Iowa, 50501 (Phone number: 515-574-5644, Fax number: 515-574-5322, or bhansel@fdschools.org).

FORT DODGE COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

FORT DODGE COMMUNITY SCHOOL DISTRICT

Exhibit A

STATEMENT OF NET POSITION
Year Ended June 30, 2014

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 22,411,166 | \$ 686,518 | \$ 23,097,684 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 159,923 | - | 159,923 |
| Succeeding year | 13,934,923 | - | 13,934,923 |
| Income surtax | 625,876 | - | 625,876 |
| Accounts | 102,815 | 1,441 | 104,256 |
| Due from other funds | 71,240 | 12,726 | 83,966 |
| Due from other governments | 1,334,326 | - | 1,334,326 |
| Inventories | - | 12,076 | 12,076 |
| Deferred charges | 466,808 | - | 466,808 |
| Capital assets, net of accumulated depreciation | 53,804,144 | 188,490 | 53,992,634 |
| Total assets | 92,911,221 | 901,251 | 93,812,472 |
| Liabilities | | | |
| Accounts payable | 2,423,735 | 177,987 | 2,601,722 |
| Salaries and benefits payable | 3,313,948 | - | 3,313,948 |
| Due to other governments | 1,929 | - | 1,929 |
| Accrued interest payable | 680,675 | - | 680,675 |
| Unearned revenue | - | 7,795 | 7,795 |
| Due to other funds | 37,148 | 46,818 | 83,966 |
| Bond premium | 1,614,674 | - | 1,614,674 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Early retirement | 479,043 | - | 479,043 |
| Bonds payable | 1,285,000 | - | 1,285,000 |
| Compensated absences | 395,631 | - | 395,631 |
| Portion due after one year: | | | |
| Early retirement | 196,366 | - | 196,366 |
| Bonds payable | 27,975,000 | - | 27,975,000 |
| Compensated absences | 3,052,038 | - | 3,052,038 |
| Net OPEB liability | 1,036,000 | - | 1,036,000 |
| Total liabilities | 42,491,187 | 232,600 | 42,723,787 |
| Deferred Inflows of Revenues | | | |
| Unavailable property tax revenue | 13,934,923 | - | 13,934,923 |

(Continued on next page)

FORT DODGE COMMUNITY SCHOOL DISTRICT

**Exhibit A
(Continued)**

**STATEMENT OF NET POSITION
Year Ended June 30, 2014**

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| Net Position | | | |
| Net investment in capital assets | \$ 24,953,137 | \$ 188,490 | \$ 25,141,627 |
| Restricted for: | | | |
| Categorical funding | 922,261 | - | 922,261 |
| Physical plant and equipment levy purposes | 906,068 | - | 906,068 |
| Student activities | 424,004 | - | 424,004 |
| Debt service | 3,242,022 | - | 3,242,022 |
| Capital projects | 75,214 | - | 75,214 |
| Unrestricted | 5,962,405 | 480,161 | 6,442,566 |
| Total net position | \$ 36,485,111 | \$ 668,651 | \$ 37,153,762 |

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

| Functions/Programs: | Expenses | Program Revenues | |
|--|-------------------|----------------------|---|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest |
| Governmental Activities: | | | |
| Instruction: | | | |
| Regular instruction | \$ 14,869,710 | \$ 555,949 | \$ 3,391,787 |
| Special instruction | 8,987,520 | 277,232 | 2,119,582 |
| Other instruction | 1,862,025 | 1,161,887 | 101,430 |
| | <u>25,719,255</u> | <u>1,995,068</u> | <u>5,612,799</u> |
| Support services: | | | |
| Student | 2,024,988 | - | 1,149,946 |
| Instructional staff | 2,143,504 | - | - |
| Administration | 4,243,014 | - | - |
| Operation and maintenance of plant | 6,268,156 | 109,809 | - |
| Transportation | 1,300,391 | 4,065 | 50,970 |
| | <u>15,980,053</u> | <u>113,874</u> | <u>1,200,916</u> |
| Non-instructional programs | <u>4,970</u> | <u>-</u> | <u>-</u> |
| Other expenditures: | | | |
| Facilities acquisition | - | - | - |
| Long-term debt interest and fiscal charges | 1,294,145 | - | - |
| AEA flowthrough | 1,647,708 | - | 1,647,708 |
| Depreciation (unallocated) * | 1,568,122 | - | - |
| | <u>4,509,975</u> | <u>-</u> | <u>1,647,708</u> |
| Total governmental activities | <u>46,214,253</u> | <u>2,108,942</u> | <u>8,461,423</u> |

Exhibit B

| Capital Grants, Contributions and Restricted Interest | Net (Expense) Revenue | | |
|--|----------------------------|-----------------------------|-----------------|
| | Governmental Activities | Business-type Activities | Total |
| \$ - | \$ (10,921,974) | \$ - | \$ (10,921,974) |
| - | (6,590,706) | - | (6,590,706) |
| - | (598,708) | - | (598,708) |
| - | (18,111,388) | - | (18,111,388) |
| - | (875,042) | - | (875,042) |
| - | (2,143,504) | - | (2,143,504) |
| - | (4,243,014) | - | (4,243,014) |
| - | (6,158,347) | - | (6,158,347) |
| - | (1,245,356) | - | (1,245,356) |
| - | (14,665,263) | - | (14,665,263) |
| - | (4,970) | - | (4,970) |
| 37,319 | 37,319 | - | 37,319 |
| - | (1,294,145) | - | (1,294,145) |
| - | - | - | - |
| - | (1,568,122) | - | (1,568,122) |
| 37,319 | (2,824,948) | - | (2,824,948) |
| 37,319 | (35,606,569) | - | (35,606,569) |

(Continued on next page)

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2014

| | | Program Revenues | |
|--------------------------------|-----------------|--------------------------|----------------------|
| | | Operating Grants, | Contributions |
| | | and Restricted | Interest |
| Functions/Programs: | Expenses | Charges for | |
| | | Services | |
| Business-type Activities: | | | |
| Support services: | | | |
| Food service operations | \$ 54,067 | \$ - | \$ - |
| Non-instructional programs: | | | |
| Food service operations | 1,985,611 | 660,999 | 1,430,408 |
| Total business-type activities | 2,039,678 | 660,999 | 1,430,408 |
| Total | \$ 48,253,931 | \$ 2,769,941 | \$ 9,891,831 |

General Revenues:

Property taxes, levied for:
 General purposes
 Capital outlay
 Income surtax
 Statewide sales, services and use tax
 Unrestricted state and federal grants
 Unrestricted investment earnings
 Other
 Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

**Exhibit B
(Continued)**

| Capital Grants, Contributions and Restricted Interest | Net (Expense) Revenue | | |
|--|------------------------------------|-------------------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total |
| \$ - | \$ - | \$ (54,067) | \$ (54,067) |
| - | - | 105,796 | 105,796 |
| - | - | 51,729 | 51,729 |
| \$ 37,319 | (35,606,569) | 51,729 | (35,554,840) |
| | 12,879,378 | - | 12,879,378 |
| | 932,823 | - | 932,823 |
| | 719,872 | - | 719,872 |
| | 3,227,146 | - | 3,227,146 |
| | 17,946,255 | - | 17,946,255 |
| | 100,673 | 1,853 | 102,526 |
| | 694,443 | - | 694,443 |
| | 36,500,590 | 1,853 | 36,502,443 |
| | 894,021 | 53,582 | 947,603 |
| | 35,591,090 | 615,069 | 36,206,159 |
| \$ | \$ 36,485,111 | \$ 668,651 | \$ 37,153,762 |

BALANCE SHEET - GOVERNMENTAL FUNDS

See notes to financial statements.

Exhibit C

| Capital Projects | Nonmajor | Total |
|-------------------------|-----------------|---------------|
| \$ 3,328,163 | \$ 435,008 | \$ 21,761,530 |
| 16,957 | - | 159,923 |
| 1,330,002 | - | 13,934,923 |
| - | - | 625,876 |
| - | - | 20,545 |
| 11,078 | 13,344 | 71,240 |
| 510,563 | - | 1,334,326 |

| | | |
|--------------|------------|---------------|
| \$ 5,196,763 | \$ 448,352 | \$ 37,908,363 |
|--------------|------------|---------------|

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

| | | Special Revenue | |
|---|----------------------|---------------------|---------------------|
| | General | Management Levy | Debt Service |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 595,285 | \$ 1,023 | \$ 1,500 |
| Salaries and benefits payable | 3,313,948 | - | - |
| Due to other governments | 1,929 | - | - |
| Due to other funds | 36,756 | - | - |
| Total liabilities | 3,947,918 | 1,023 | 1,500 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | 11,504,921 | 1,100,000 | - |
| Other | 625,876 | - | - |
| Total deferred inflows of revenues | 12,130,797 | 1,100,000 | - |
| Fund Balances: | | | |
| Restricted for: | | | |
| Categorical funding | 922,261 | - | - |
| Revenue bonds reserve fund | - | - | 3,049,500 |
| Debt service | - | - | 1,340,388 |
| Management levy purposes | - | 2,100,557 | - |
| Student activities | - | - | - |
| Other capital projects | - | - | - |
| School infrastructure | - | - | - |
| Physical plant and equipment | - | - | - |
| Unassigned | 7,669,304 | - | - |
| Total fund balances | 8,591,565 | 2,100,557 | 4,389,888 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 24,670,280 | \$ 3,201,580 | \$ 4,391,388 |

**Exhibit C
(Continued)**

| Capital Projects | Nonmajor | Total |
|-------------------------|-----------------|------------------|
| \$ 1,795,811 | \$ 23,956 | \$ 2,417,575 |
| - | - | 3,313,948 |
| - | - | 1,929 |
| - | 392 | 37,148 |
| <u>1,795,811</u> | <u>24,348</u> | <u>5,770,600</u> |

| | | |
|------------------|----------|-------------------|
| 1,330,002 | - | 13,934,923 |
| - | - | 625,876 |
| <u>1,330,002</u> | <u>-</u> | <u>14,560,799</u> |

| | | |
|------------------|----------------|-------------------|
| - | - | 922,261 |
| - | - | 3,049,500 |
| - | - | 1,340,388 |
| - | - | 2,100,557 |
| - | 424,004 | 424,004 |
| 408,993 | - | 408,993 |
| 755,889 | - | 755,889 |
| 906,068 | - | 906,068 |
| - | - | 7,669,304 |
| <u>2,070,950</u> | <u>424,004</u> | <u>17,576,964</u> |

| | | |
|--------------|------------|---------------|
| \$ 5,196,763 | \$ 448,352 | \$ 37,908,363 |
|--------------|------------|---------------|

FORT DODGE COMMUNITY SCHOOL DISTRICT**Exhibit D****RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total governmental fund balances \$ 17,576,964

***Amounts reported for governmental activities in the Statement of Net Position
are different because:***

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported as assets in governmental funds. 53,804,144

Other long-term assets, including income surtax receivable, are not available to pay current period
expenditures and, therefore, are deferred in the governmental funds. 625,876

The Internal Service Fund net assets are directly related to the governmental funds due to the
types of services provided and are, therefore, included in the statement of net position under
governmental activities. 725,746

Accrued interest payable on long-term liabilities is not due and payable in the current period and,
therefore, is not reported as a liability in the governmental funds. (680,675)

Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability,
are not due and payable in the current period and, therefore, are not reported as liabilities in
the governmental funds. (35,566,944)

Net position of governmental activities \$ 36,485,111

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2014

| | General | Special Revenue Management Levy | Debt Service |
|---|-------------------|--|-------------------------|
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ 11,328,306 | \$ 2,225,497 | \$ - |
| Tuition | 929,004 | - | - |
| Other | 562,877 | 50,322 | 39,889 |
| Intermediate sources | 1,821 | - | - |
| State sources | 23,449,174 | 1,342 | - |
| Federal sources | 2,962,721 | - | - |
| Total revenues | 39,233,903 | 2,277,161 | 39,889 |
| Expenditures: | | | |
| Current: | | | |
| Instruction | 24,980,112 | 666,941 | - |
| Support services: | | | |
| Student | 2,024,988 | - | - |
| Instructional staff | 2,005,318 | 43,199 | - |
| Administration | 4,099,741 | 143,066 | - |
| Operation and maintenance of plant | 3,226,566 | 220,839 | - |
| Transportation | 983,800 | 116,061 | - |
| | 12,340,413 | 523,165 | - |
| Non-instructional programs | 4,970 | - | - |
| Other expenditures: | | | |
| Facilities acquisition | - | - | - |
| Long-term debt: | | | |
| Interest and fiscal charges | - | - | 2,648,750 |
| AEA flowthrough | 1,647,708 | - | - |
| | 1,647,708 | - | 2,648,750 |
| Total expenditures | 38,973,203 | 1,190,106 | 2,648,750 |
| Excess (deficiency) of revenues over (under) expenditures | 260,700 | 1,087,055 | (2,608,861) |

Exhibit E

| Capital Projects | | Nonmajor | Total |
|-------------------------|-----------|-----------------|---------------|
| \$ | 931,616 | \$ - | \$ 14,485,419 |
| | - | - | 929,004 |
| | 405,437 | 933,342 | 1,991,867 |
| | - | - | 1,821 |
| | 3,227,683 | - | 26,678,199 |
| | - | - | 2,962,721 |
| | 4,564,736 | 933,342 | 47,049,031 |
| <hr/> | | | |
| | - | 850,477 | 26,497,530 |
| <hr/> | | | |
| | - | - | 2,024,988 |
| | 94,987 | - | 2,143,504 |
| | 207 | - | 4,243,014 |
| | 6,593 | - | 3,453,998 |
| | 254,805 | - | 1,354,666 |
| | 356,592 | - | 13,220,170 |
| <hr/> | | | |
| | - | - | 4,970 |
| <hr/> | | | |
| | 4,683,262 | - | 4,683,262 |
| | | - | |
| | 750 | - | 2,649,500 |
| | - | - | 1,647,708 |
| | 4,684,012 | - | 8,980,470 |
| <hr/> | | | |
| | 5,040,604 | 850,477 | 48,703,140 |
| <hr/> | | | |
| | (475,868) | 82,865 | (1,654,109) |
| <hr/> | | | |

(Continued on next page)

FORT DODGE COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2014

| | General | Special Revenue Management Levy | Debt Service |
|---|---------------------|--|-------------------------|
| Other financing sources (uses): | | | |
| Sale of equipment | \$ 30,323 | \$ - | \$ - |
| Interfund transfers in | - | - | 2,625,790 |
| Interfund transfers out | - | - | - |
| Total other financing sources (uses) | 30,323 | - | 2,625,790 |
| Net change in fund balances | 291,023 | 1,087,055 | 16,929 |
| Fund balances, beginning of year | 8,300,542 | 1,013,502 | 4,372,959 |
| Fund balances, end of year | <u>\$ 8,591,565</u> | <u>\$ 2,100,557</u> | <u>\$ 4,389,888</u> |

See notes to financial statements.

Exhibit E
(Continued)

| Capital Projects | Nonmajor | Total |
|-------------------------|-----------------|---------------|
| \$ - | \$ - | \$ 30,323 |
| - | - | 2,625,790 |
| (2,625,790) | - | (2,625,790) |
| (2,625,790) | - | 30,323 |
| (3,101,658) | 82,865 | (1,623,786) |
| 5,172,608 | 341,139 | 19,200,750 |
| \$ 2,070,950 | \$ 424,004 | \$ 17,576,964 |

FORT DODGE COMMUNITY SCHOOL DISTRICT

Exhibit F

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Net change in fund balances - total governmental funds \$ (1,623,786)

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimates useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expenses in the year are as follows:

| | | |
|---------------------------------|--------------------|---------|
| Expenditures for capital assets | \$ 2,137,182 | |
| Depreciation expense | <u>(1,832,678)</u> | 304,504 |

| | |
|---|--------|
| Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. | 28,920 |
|---|--------|

| | |
|--|---------|
| The increase in the Internal Service Fund net assets reflects an overcharge to governmental activities for the services provided. Expenses in the Statement of Activities are adjusted to reflect this overcharge. | 485,163 |
|--|---------|

| | |
|---|--------|
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | 24,700 |
|---|--------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|------------------------------|-----------------|-----------|
| Revenue bond payments | 1,235,000 | |
| Deferred charges | (38,901) | |
| Amortization of bond premium | 134,556 | |
| Early retirement | 570,478 | |
| Compensated absences | (140,613) | |
| Net OPEB liability | <u>(86,000)</u> | 1,674,520 |

| | |
|---|--------------------------|
| Changes in net position of governmental activities | <u><u>\$ 894,021</u></u> |
|---|--------------------------|

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Exhibit G

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014**

| | Nonmajor Enterprise Fund | Internal Service Fund |
|---|---|--------------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 686,518 | \$ 649,636 |
| Accounts receivable | 1,441 | 82,270 |
| Inventories | 12,076 | - |
| Interfund receivable | 12,726 | - |
| Total current assets | 712,761 | 731,906 |
| Noncurrent Assets: | | |
| Capital assets, net of accumulated depreciation | 188,490 | - |
| Total assets | \$ 901,251 | \$ 731,906 |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts payable | \$ 177,987 | \$ 6,160 |
| Unearned revenue | 7,795 | - |
| Interfund payable | 46,818 | - |
| Total current liabilities | 232,600 | 6,160 |
| Net Position | | |
| Net investment in capital assets | 188,490 | - |
| Unrestricted | 480,161 | 725,746 |
| Total net position | 668,651 | 725,746 |
| Total liabilities and net position | \$ 901,251 | \$ 731,906 |

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
Exhibit H
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 Year ended June 30, 2014**

| | Nonmajor Enterprise Fund | Internal Service Fund |
|---------------------------------|---|--------------------------------------|
| Operating revenues: | | |
| Local sources: | | |
| Charges for services | \$ 660,999 | \$ 6,376,260 |
| Operating expenses: | | |
| Support services: | | |
| Internal service operation: | | |
| Benefits | - | 45,492 |
| Purchased services | - | 5,848,543 |
| | - | 5,894,035 |
| Food service operations: | | |
| Salaries | 31,480 | - |
| Benefits | 14,092 | - |
| Purchased services | 2,667 | - |
| Other | 5,828 | - |
| | 54,067 | - |
| Non-instructional programs: | | |
| Food service operations: | | |
| Purchased services | 903,846 | - |
| Supplies | 1,049,386 | - |
| Depreciation | 32,379 | - |
| | 1,985,611 | - |
| Total operating expenses | 2,039,678 | 5,894,035 |
| Operating income (loss) | (1,378,679) | 482,225 |
| Non-operating revenues: | | |
| Interest on investments | 1,853 | 2,938 |
| State sources | 17,575 | - |
| Federal sources | 1,412,833 | - |
| Total non-operating revenues | 1,432,261 | 2,938 |
| Change in net position | 53,582 | 485,163 |
| Net position, beginning of year | 615,069 | 240,583 |
| Net position, end of year | \$ 668,651 | \$ 725,746 |

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Exhibit I

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2014**

| | Nonmajor Enterprise Fund | Internal Service Fund |
|--|---|--------------------------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from sale of lunches and breakfasts | \$ 657,152 | \$ - |
| Cash received from miscellaneous operating activities | - | 6,293,990 |
| Cash payments to employees for services | (54,067) | - |
| Cash payments to suppliers for goods or services | (1,791,753) | (5,887,875) |
| Net cash provided by (used in) operating activities | (1,188,668) | 406,115 |
| Cash Flows from Non-capital Financing Activities: | | |
| State grants received | 17,575 | - |
| Federal grants received | 1,284,209 | - |
| Payment of interfund receivable | (12,726) | - |
| Advance of interfund payable | 46,818 | - |
| Net cash provided by non-capital financing activities | 1,335,876 | - |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition of capital assets | (42,869) | - |
| Cash Flows from Investing Activities: | | |
| Interest on investments | 1,853 | 2,938 |
| Net increase in cash and cash equivalents | 106,192 | 409,053 |
| Cash and cash equivalents, beginning of year | 580,326 | 240,583 |
| Cash and cash equivalents, end of year | <u>\$ 686,518</u> | <u>\$ 649,636</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | |
| Operating income (loss) | \$ (1,378,679) | \$ 482,225 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 32,379 | - |
| Commodities used | 128,624 | - |
| (Increase) in accounts receivable | (1,441) | (82,270) |
| (Increase) in inventories | (1,152) | - |
| Increase in accounts payable | 34,007 | 6,160 |
| (Decrease) in unearned revenue | (2,406) | - |
| Net cash provided by (used in) operating activities | \$ (1,188,668) | \$ 406,115 |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$128,624 of federal commodities.

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Exhibit J

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

| | Private Purpose Trust |
|-----------------------------|--------------------------------------|
| | Scholarship |
| Assets: | |
| Cash and pooled investments | <u>\$ 389,779</u> |
| Liabilities: | |
| None | <u>-</u> |
| Net Position: | |
| Restricted for scholarships | <u><u>\$ 389,779</u></u> |

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Exhibit K

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year ended June 30, 2014**

| | Private Purpose Trust |
|------------------------------------|--------------------------------------|
| | Scholarship |
| Additions: | |
| Local sources: | |
| Gifts and contributions | \$ 12,383 |
| Interest | 1,963 |
| Total additions | 14,346 |
| Deductions: | |
| Support services: | |
| Scholarships awarded | 13,726 |
| Change in net position | 620 |
| Net position, beginning of year | 389,159 |
| Net position, end of year | \$ 389,779 |
| See notes to financial statements. | |

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Fort Dodge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fort Dodge, Iowa and agricultural territory in Webster County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Fort Dodge Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Fort Dodge Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster County Assessor's Conference Board.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) –

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue Fund, Management Levy is used to account for property taxes collected to pay property and casualty insurance premiums, unemployment insurance claims, fidelity bonds, workers' compensation insurance premiums, and early retirement incentives.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's non-major proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for the food service operations of the District; the Internal Service, Self-funded Medical Plan, which is used to account for the District's self-funded medical insurance plan; the Internal Service, Self-funded Dental Plan, which is used to account for the District's self-funded dental insurance plan; and the Internal Service, Flex Plan, which is used to account for the District's employee flexible benefits plan.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of which require income earned to be used to benefit individuals through scholarship awards.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year in which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due from/to Other Funds – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been repaid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Prepays – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements on the consumption method.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (continued):

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| Land | \$ 1,000 |
| Buildings | 25,000 |
| Improvements other than buildings | 10,000 |
| Intangibles | 100,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 3,000 |

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (in Years)</u> |
|-----------------------------------|--|
| Buildings | 50 |
| Improvements other than buildings | 20 - 50 |
| Furniture and equipment: | 5 - 15 |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Inflows of Resources– Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and severance benefits payable to employees. Severance benefits accumulate up to 120 days for most employee service groups and is applicable for employees hired prior to July 1, 2006. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect on June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (continued):

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specific use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

F. Subsequent Events

Subsequent events have been evaluated through December 15, 2014, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by Federal depository insurance or by the State sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had the following investments:

| Type | Amortized Cost |
|--------------------------|-------------------|
| Money Market Mutual Fund | \$ 17,698 |

The investments in the money market mutual fund are valued at fair value. The investments in the money market mutual fund are rated AAAM by Standard and Poor's Financial Services.

NOTES TO FINANCIAL STATEMENTS

Note 3. Due From/To Other Funds

The detail of amount due to and from other funds for the year ended June 30, 2014 is as follows:

| Receivable Fund | Payable Fund | Amount |
|--|------------------------------------|------------------|
| Amounts due to transactions between funds: | | |
| General | Enterprise Fund, School Nutrition | \$ 46,818 |
| Enterprise Fund, School Nutrition | General | 12,334 |
| Special Revenue Fund, Student Activity | General | 13,344 |
| Capital Projects Fund, PPEL | General | 11,078 |
| Enterprise Fund, School Nutrition | Special Revenues, Student Activity | 392 |
| Total | | \$ 83,966 |

These receivables and payables between funds arising from timing differences involved in the reimbursement of expenses at year end.

Note 4. Interfund Transfers

The detail of the interfund transfers for the year ended June 30, 2014 is as follows:

| Transfer to | Transfer from | Amount |
|--------------|---|--------------|
| Debt Service | Capital Projects, Statewide Sales, Services and Use Tax | \$ 2,625,790 |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the Capital Projects Fund to the Debt Service Fund was for the retirement of bond principal and interest.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|----------------------|------------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,231,473 | \$ - | \$ - | \$ 2,231,473 |
| Construction in progress | 32,073,951 | 1,768,127 | (33,614,706) | 227,372 |
| Total capital assets not being depreciated | 34,305,424 | 1,768,127 | (33,614,706) | 2,458,845 |
| Capital assets being depreciated: | | | | |
| Buildings | 32,645,783 | 33,614,706 | - | 66,260,489 |
| Improvements other than buildings | 738,014 | - | - | 738,014 |
| Furniture and equipment | 6,791,722 | 369,055 | (1,323,911) | 5,836,866 |
| Total capital assets being depreciated | 40,175,519 | 33,983,761 | (1,323,911) | 72,835,369 |
| Less accumulated depreciation for: | | | | |
| Buildings | 15,429,296 | 1,531,221 | - | 16,960,517 |
| Improvements other than buildings | 251,324 | 36,901 | - | 288,225 |
| Furniture and equipment | 5,300,683 | 264,556 | (1,323,911) | 4,241,328 |
| Total accumulated depreciation | 20,981,303 | 1,832,678 | (1,323,911) | 21,490,070 |
| Total capital assets being depreciated, net | 19,194,216 | 32,151,083 | - | 51,345,299 |
| Governmental activities capital assets, net | \$ 53,499,640 | \$ 33,919,210 | \$ (33,614,706) | \$ 53,804,144 |
| Business-type activities: | | | | |
| Furniture and equipment | \$ 458,273 | \$ 42,869 | \$ (20,230) | \$ 480,912 |
| Less accumulated depreciation | 280,273 | 32,379 | (20,230) | 292,422 |
| Business-type activities capital assets, net | \$ 178,000 | \$ 10,490 | \$ - | \$ 188,490 |
| Depreciation expense was charged to the following functions: | | | | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | | | | \$ 46,992 |
| Special | | | | 2,845 |
| Other | | | | 916 |
| Support services: | | | | |
| Operation and maintenance of plant | | | | 13,273 |
| Transportation | | | | 200,530 |
| | | | | 264,556 |
| Unallocated depreciation | | | | 1,568,122 |
| Total governmental activities depreciation expense | | | | \$ 1,832,678 |
| Business-type activities: | | | | |
| Food service operations | | | | \$ 32,379 |

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|---------------------|---------------------|---------------------------|------------------------|
| Governmental activities: | | | | | |
| Early retirement | \$ 1,245,887 | \$ 149,840 | \$ 720,318 | \$ 675,409 | \$ 479,043 |
| Revenue bonds | 30,495,000 | - | 1,235,000 | 29,260,000 | 1,285,000 |
| Compensated absences | 3,307,056 | 783,574 | 642,961 | 3,447,669 | 395,631 |
| Net OPEB liability | 950,000 | 86,000 | - | 1,036,000 | - |
| Total | \$ 35,997,943 | \$ 1,019,414 | \$ 2,598,279 | \$ 34,419,078 | \$ 2,159,674 |

Early Retirement – The District offered a voluntary early retirement plan to all employees for the year ended June 30, 2014. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is tied to that employee's classification and severance benefit. Professional support employees will receive 140% of their severance benefit, which is calculated by multiplying the employee's per diem pay rate times their unused personal illness days, up to a maximum of 120 days. Teachers will receive 250% of their severance benefit, or 100% of severance plus a lump sum, calculated by multiplying \$90.06 times the number of unused personal illness days, up to a maximum of 120 days. Custodial/maintenance will receive 140% of their severance benefit, or 100% of severance plus a lump sum, calculated by multiplying various applicable hourly rates times the number of unused personal illness days, up to a maximum of 105 days. The benefit of all early retirees will be placed in a Health Reimbursement Account.

The early retirement incentives for prior years consisted of various different plans. Details of those plans are available upon request of District management.

At June 30, 2014, the District has obligations to 49 participants with a total liability of \$675,409. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$720,318. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

Revenue Bonds – Details of the District's revenue bonded indebtedness at June 30, 2014 are as follows:

| Year Ending June 30 | Bond Issue of October 1, 2011 | | | Bond Issue of January 5, 2012 | | | Total | |
|---------------------------|-------------------------------|----------------------|---------------------|-------------------------------|----------------------|---------------------|----------------------|----------------------|
| | Interest Rate | Principal | Interest | Interest Rate | Principal | Interest | Principal | Interest |
| 2015 | 4.00% | \$ 1,285,000 | \$ 908,350 | 4.53% | \$ - | \$ 453,000 | \$ 1,285,000 | \$ 1,361,350 |
| 2016 | 4.00% | 1,340,000 | 856,950 | 4.53% | - | 453,000 | 1,340,000 | 1,309,950 |
| 2017 | 4.00% | 1,390,000 | 803,350 | 4.53% | - | 453,000 | 1,390,000 | 1,256,350 |
| 2018 | 5.00% | 1,450,000 | 747,750 | 4.53% | - | 453,000 | 1,450,000 | 1,200,750 |
| 2019 | 5.00% | 1,505,000 | 689,750 | 4.53% | - | 453,000 | 1,505,000 | 1,142,750 |
| 2020-2024 | 5.00% | 8,735,000 | 2,241,500 | 4.53% | - | 2,265,000 | 8,735,000 | 4,506,500 |
| 2025-2029 | 5.00% | 3,555,000 | 254,500 | 4.53% | 7,490,000 | 1,881,989 | 11,045,000 | 2,136,489 |
| 2030 | - | - | - | 4.53% | 2,510,000 | 113,703 | 2,510,000 | 113,703 |
| | | <u>\$ 19,260,000</u> | <u>\$ 6,502,150</u> | | <u>\$ 10,000,000</u> | <u>\$ 6,525,692</u> | <u>\$ 29,260,000</u> | <u>\$ 13,027,842</u> |

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-term Liabilities (Continued)

The District pledged future statewide sales and services tax revenues to repay the \$20,495,000 and \$10,000,000 bonds issued in October of 2011 and January of 2012, respectively. The bonds were issued for the purpose of financing a portion of the costs of construction of a new middle school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 83 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$42,287,842. For the current year, \$1,235,000 of principal payments were made and interest payments on the bonds totaled \$1,413,750. Total statewide sales and services tax revenues were \$3,227,146.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

1. Bonds maturing after January 1, 2021, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
2. \$3,049,500 of the proceeds from the bonds issued have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Debt Service Fund.
3. Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,978,585, \$1,963,563 and \$1,850,581, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Retirement Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan that provides medical and prescription drug benefits for employees, retirees and their spouses. There are 407 active and 59 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|---------------------|
| Annual required contribution | \$ 803,088 |
| Interest on net OPEB obligation | 42,750 |
| Adjustment to annual required contribution | 7,051 |
| Annual OPEB cost | <u>838,787</u> |
| Contributions made | <u>752,787</u> |
| Increase in net OPEB obligation | 86,000 |
| Net OPEB obligation beginning of year | <u>950,000</u> |
| Net OPEB obligation end of year | <u>\$ 1,036,000</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$752,787 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014, and the preceding two years are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2012 | \$ 532,000 | 57.0% | \$ 764,000 |
| 2013 | 806,979 | 77.0% | 950,000 |
| 2014 | 838,787 | 89.7% | 1,036,000 |

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$9,233,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,233,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$19,356,000, and the ratio of the UAAL to covered payroll was 47.7%. As of June 30, 2014, there were no trust fund assets.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Retirement Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Healthy Generational Mortality Table with Projection Scale AA, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$798 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

Self-Funded Health Plan – Effective July 1, 2014, the District began a self-insurance program for hospitalization and medical coverage for its employees. The District limits its losses through the use of stop-loss policies from insurers. Specific individual losses for claims are limited to \$50,000 per year. The District's aggregate annual loss limitation is based on a formula that considers, among other things, the total number of employees and was limited to \$4,759,012 in claims as of June 30, 2014. For the year ended June 30, 2014, the District paid \$5,551,158 under the program, which includes health claims, premiums and administrative costs.

The District is required to have an annual actuarial study of the Self-Funded Health Insurance Plan as outlined in section 509A(15)(1)(d) of the Code of Iowa and the district has no recorded liability for incurred by unreported claims.

The Internal Service Fund, Self-Funded Health Plan reserve was \$509,975 at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

Note 9. Risk Management (Continued)

Self-Funded Dental Plan – The District began a self-funded insurance plan during the year ended June 30, 2000. The plan is funded by contributions from the District and is administered through a service agreement with Delta Dental Plan of Iowa. The agreement is not subject to automatic renewal provisions. The District assumes liability for claims up to the current coverage limitation of \$1,000.

Monthly payments of service fees and plan contributions to the Fort Dodge Community School District Employee Group Dental Plan are recorded as expenditures from the General and School Nutrition funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to Delta Dental Plan of Iowa from the Fort Dodge Community School District Employee Group Dental Plan Fund as an Internal Service Fund. The District's contributions to the fund for the year ended June 30, 2014 were \$268,343 and the total paid for claims was \$249,040.

The District is not required to have an annual actuarial study of the Self-Funded Dental Insurance Plan as outlined in §509A(15)(1)(d) of the Code of Iowa and the District has not recorded liability for incurred but unreported claims.

The Internal Service Fund, Self-Funded Dental Plan reserve was \$212,187 at June 30, 2014.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$1,647,708 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Lease Commitments

The District leases office equipment under a noncancellable operating lease agreement. The lease expires in September 2016. Total future minimum lease payments by year as of June 30, 2014 follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2015 | \$ 66,160 |
| 2016 | 16,540 |
| | <u>\$ 82,700</u> |

Total lease expense for the year ended June 30, 2014 was \$79,799.

NOTES TO FINANCIAL STATEMENTS

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2014 is comprised of the following programs:

| Program | Amount |
|---|------------|
| Teacher mentoring | \$ 3,776 |
| Four-year-old voluntary preschool program | 469,029 |
| Salary improvement program | 272,311 |
| Talented and gifted program | 68,153 |
| Professional development | 75,418 |
| Early readers success | 27,850 |
| Teacher leadership | 5,724 |
| | <hr/> |
| | \$ 922,261 |

Note 13. Construction Commitments

The District has entered into a contract totaling \$331,000 for a high school roof replacement project. As of June 30, 2014, costs of \$227,372 had been incurred against the contracts. The balance of \$103,628 remaining at June 30, 2014 will be paid as work on the project progresses.

Note 14. Subsequent Events

In July 2014, the District completed the sale of two middle school buildings, and middle school gymnasium. Proceeds from the sale of these properties totaled \$362,501.

Note 15. Intrafund Loan

The intrafund balance between the Capital Projects, Statewide Sales, Services and Use Tax Account and Capital Projects, Physical Plant and Equipment Levy Account is due to a loan made on June 25, 2012. The Fort Dodge Education Foundation has pledged to cover this loan with amounts donated from the Fort Dodge community residents and businesses. The intrafund loan has been eliminated from the basic financial statements because it represents an internal loan between capital projects accounts within the Capital Projects Fund.

Note 16. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

FORT DODGE COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FORT DODGE COMMUNITY SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES****AND CHANGES IN BALANCES - BUDGET AND ACTUAL -****ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS****Required Supplementary Information****Year Ended June 30, 2014**

| | Governmental Fund Actual | Proprietary Fund Actual | Total Actual |
|--|---|--|-------------------------|
| Revenues: | | | |
| Local sources | \$ 17,406,290 | \$ 662,852 | \$ 18,069,142 |
| Intermediate sources | 1,821 | - | 1,821 |
| State sources | 26,678,199 | 17,575 | 26,695,774 |
| Federal sources | 2,962,721 | 1,412,833 | 4,375,554 |
| Total revenues | 47,049,031 | 2,093,260 | 49,142,291 |
| Expenditures/Expenses: | | | |
| Instruction | 26,497,530 | - | 26,497,530 |
| Support services | 13,220,170 | 54,067 | 13,274,237 |
| Non-instructional programs | 4,970 | 1,985,611 | 1,990,581 |
| Other expenditures | 8,980,470 | - | 8,980,470 |
| Total expenditures/expenses | 48,703,140 | 2,039,678 | 50,742,818 |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (1,654,109) | 53,582 | (1,600,527) |
| Other Financing Sources, net | 30,323 | - | 30,323 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses | (1,623,786) | 53,582 | (1,570,204) |
| Balance, beginning of year | 19,200,750 | 615,069 | 19,815,819 |
| Balance, end of year | \$ 17,576,964 | \$ 668,651 | \$ 18,245,615 |

See accompanying independent auditor's report.

| Budget | | Final to Actual Variance Favorable (Unfavorable) | |
|---------------|---------------|---|--|
| Original | Final | | |
| \$ 21,409,070 | \$ 21,409,070 | \$ (3,339,928) | |
| - | - | 1,821 | |
| 23,427,138 | 23,427,138 | 3,268,636 | |
| 3,645,000 | 3,645,000 | 730,554 | |
| 48,481,208 | 48,481,208 | 661,083 | |
| 26,663,056 | 26,979,734 | 482,204 | |
| 13,218,858 | 14,057,042 | 782,805 | |
| 1,963,500 | 1,998,348 | 7,767 | |
| 5,820,814 | 12,082,708 | 3,102,238 | |
| 47,666,228 | 55,117,832 | 4,375,014 | |
| 814,980 | (6,636,624) | 5,036,097 | |
| 10,000 | 10,000 | 20,323 | |
| 824,980 | (6,626,624) | 5,056,420 | |
| 12,608,151 | 12,608,151 | 7,207,668 | |
| \$ 13,433,131 | \$ 5,981,527 | \$ 12,264,088 | |

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, on-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$7,451,604.

During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|------------------------|--------------------------------|-------------------------------------|--|--------------------------------------|--------------------------|---------------------------|---|
| 2009 | July 1, 2008 | \$ - | \$ 2,090 | \$ 2,090 | 0.0% | \$ 24,220 | 8.6% |
| 2010 | July 1, 2008 | - | 2,090 | 2,090 | 0.0% | 23,639 | 8.8% |
| 2011 | July 1, 2010 | - | 5,470 | 5,470 | 0.0% | 22,987 | 23.8% |
| 2012 | July 1, 2010 | - | 5,470 | 5,470 | 0.0% | 23,262 | 23.5% |
| 2013 | July 1, 2012 | - | 9,233 | 9,233 | 0.0% | 22,916 | 40.3% |
| 2014 | July 1, 2012 | - | 9,233 | 9,233 | 0.0% | 19,356 | 47.7% |

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost, Net OPEB Obligation, funded status and funding progress.

See accompanying Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

FORT DODGE COMMUNITY SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUND

Special Revenue Funds:

These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Student Activity Fund:

This fund accounts for fund raised by student groups. Under State Law, the Board retains responsibility for the Student Activity Fund's ultimate disposition.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Schedule 1

**BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | Assets | Student Activity |
|--|--------------------------------------|-----------------------------|
| Cash and pooled investments | | \$ 435,008 |
| Receivables: | | |
| Interfund receivable | | 13,344 |
| Total assets | | \$ 448,352 |
| | Liabilities and Fund Balances | |
| Liabilities: | | |
| Accounts payable | | \$ 23,956 |
| Interfund payable | | 392 |
| Total liabilities | | 24,348 |
| Fund balances: | | |
| Restricted for: | | |
| Student activities | | 424,004 |
| Total fund balances | | 424,004 |
| Total liabilities and fund balances | | \$ 448,352 |

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Schedule 2

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

| | Student Activity |
|--------------------------------------|-----------------------------|
| Revenues: | |
| Local sources: | |
| Other | \$ 933,342 |
| Total revenues | <u>933,342</u> |
| Expenditures: | |
| Current: | |
| Instruction | 850,477 |
| Total expenditures | <u>850,477</u> |
| Excess of revenues over expenditures | <u>82,865</u> |
| Net change in fund balance | 82,865 |
| Fund balance beginning of year | <u>341,139</u> |
| Fund balance end of year | <u><u>\$ 424,004</u></u> |

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Schedule 3

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2014

| Assets | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Other Construction Projects | Total |
|---|--|--|--|---------------------|
| Cash and pooled investments | \$ 1,831,691 | \$ 1,087,479 | \$ 408,993 | \$ 3,328,163 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | - | 16,957 | - | 16,957 |
| Succeeding year | - | 1,330,002 | - | 1,330,002 |
| Intrafund receivable * | 105,000 | - | - | 105,000 |
| Interfund receivable | - | 11,078 | - | 11,078 |
| Due from other governments | 510,563 | - | - | 510,563 |
| Total assets | \$ 2,447,254 | \$ 2,445,516 | \$ 408,993 | \$ 5,301,763 |
| Liabilities, Deferred Inflows of Revenues and Fund Balances | | | | |
| Liabilities: | | | | |
| Intrafund payable * | \$ - | \$ 105,000 | \$ - | \$ 105,000 |
| Accounts payable | 1,586,365 | 209,446 | - | 1,795,811 |
| Total liabilities | 1,586,365 | 314,446 | - | 1,900,811 |
| Deferred Inflows of Resources | | | | |
| Unavailable resources: | | | | |
| Succeeding year property tax | - | 1,330,002 | - | 1,330,002 |
| Total deferred inflows of resources | - | 1,330,002 | - | 1,330,002 |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Other capital projects | - | - | 408,993 | 408,993 |
| School infrastructure | 860,889 | - | - | 860,889 |
| Physical plant and equipment | - | 801,068 | - | 801,068 |
| Total fund balances | 860,889 | 801,068 | 408,993 | 2,070,950 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,447,254 | \$ 2,445,516 | \$ 408,993 | \$ 5,301,763 |

* These amounts have been removed from the face of the basic financial statements.

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Schedule 4

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
Year Ended June 30, 2014

| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Other Construction Projects | Total |
|--|---|--|-----------------------------------|--------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ - | \$ 931,616 | \$ - | \$ 931,616 |
| Other | 360,436 | 43,107 | 1,894 | 405,437 |
| State sources | 3,227,146 | 537 | - | 3,227,683 |
| Total revenues | 3,587,582 | 975,260 | 1,894 | 4,564,736 |
| Expenditures: | | | | |
| Support services: | | | | |
| Instructional staff | - | 94,987 | - | 94,987 |
| Administration | - | - | 207 | 207 |
| Operation and maintenance of plant | - | 6,593 | - | 6,593 |
| Transportation | - | 254,805 | - | 254,805 |
| Other expenditures: | | | | |
| Facilities acquisition | 1,604,905 | 344,297 | 2,734,060 | 4,683,262 |
| Long-term debt: | | | | |
| Interest and fiscal charges | - | - | 750 | 750 |
| Total expenditures | 1,604,905 | 700,682 | 2,735,017 | 5,040,604 |
| Excess (deficiency) of revenues over (under) expenditures | 1,982,677 | 274,578 | (2,733,123) | (475,868) |
| Other financing sources (uses): | | | | |
| Intrafund transfers in* | - | - | 3,000,000 | 3,000,000 |
| Intrafund transfers out* | (3,000,000) | - | - | (3,000,000) |
| Interfund transfers out | (2,625,790) | - | - | (2,625,790) |
| Total other financing sources (uses) | (5,625,790) | - | 3,000,000 | (2,625,790) |
| Change in fund balances | (3,643,113) | 274,578 | 266,877 | (3,101,658) |
| Fund balances, beginning of year | 4,504,002 | 526,490 | 142,116 | 5,172,608 |
| Fund balances, end of year | \$ 860,889 | \$ 801,068 | \$ 408,993 | \$ 2,070,950 |

* These amounts have been removed from the face of the basic financial statements.

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Schedule 5

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICES FUNDS
June 30, 2014

| | Self-funded Health Plan | Self-funded Dental Plan | Flex Benefit Plan | Total |
|---|----------------------------|----------------------------|----------------------|-------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 427,705 | \$ 218,347 | \$ 3,584 | \$ 649,636 |
| Receivables: | | | | |
| Other | 82,270 | - | - | 82,270 |
| | <u>\$ 509,975</u> | <u>\$ 218,347</u> | <u>\$ 3,584</u> | <u>\$ 731,906</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 6,160 | \$ - | \$ 6,160 |
| Net Position | | | | |
| Unrestricted | <u>509,975</u> | <u>212,187</u> | <u>3,584</u> | <u>725,746</u> |
| Total liabilities and net position | <u>\$ 509,975</u> | <u>\$ 218,347</u> | <u>\$ 3,584</u> | <u>\$ 731,906</u> |

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Schedule 6

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2014

| | Self-funded Health Plan | Self-funded Dental Plan | Flex Benefit Plan | Total |
|----------------------------------|----------------------------|----------------------------|----------------------|------------------|
| Operating Revenues: | | | | |
| Local sources: | | | | |
| Insurance contributions | \$ 6,058,867 | \$ 268,343 | \$ - | \$ 6,327,210 |
| Flex contributions | - | - | 49,050 | 49,050 |
| Total operating revenues | 6,058,867 | 268,343 | 49,050 | 6,376,260 |
| Operating Expenses: | | | | |
| Support services: | | | | |
| Premium and administration costs | 5,551,158 | 297,385 | - | 5,848,543 |
| Flex benefits | - | - | 45,492 | 45,492 |
| Total operating expenses | 5,551,158 | 297,385 | 45,492 | 5,894,035 |
| Operating income (loss) | 507,709 | (29,042) | 3,558 | 482,225 |
| Non-operating Revenues: | | | | |
| Interest | 2,266 | 649 | 23 | 2,938 |
| Change in net position | 509,975 | (28,393) | 3,581 | 485,163 |
| Net position, beginning of year | - | 240,580 | 3 | 240,583 |
| Net position, end of year | \$ 509,975 | \$ 212,187 | \$ 3,584 | \$ 725,746 |

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Schedule 7

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2014

| | Self-funded Health Plan | Self-funded Dental Plan | Flex Benefit Plan | Total |
|---|----------------------------|----------------------------|----------------------|-------------------|
| Cash Flows from Operating Activities: | | | | |
| Cash received from contributions | \$ 5,976,597 | \$ 268,343 | \$ 49,050 | \$ 6,293,990 |
| Cash payments for claims | - | - | (45,492) | (45,492) |
| Cash payments for services | (5,551,158) | (291,225) | - | (5,842,383) |
| Net cash provided by (used in) operating activities | 425,439 | (22,882) | 3,558 | 406,115 |
| Cash Flows from Non-capital Financing Activities: | | | | |
| Interest on investments | 2,266 | 649 | 23 | 2,938 |
| Net increase (decrease) in cash | 427,705 | (22,233) | 3,581 | 409,053 |
| Cash, beginning of year | - | 240,580 | 3 | 240,583 |
| Cash, end of year | \$ 427,705 | \$ 218,347 | \$ 3,584 | \$ 649,636 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ 507,709 | \$ (29,042) | \$ 3,558 | \$ 482,225 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| (Increase) in receivables | (82,270) | - | - | (82,270) |
| Increase in accounts payable | - | 6,160 | - | 6,160 |
| Net cash provided by (used in) operating activities | \$ 425,439 | \$ (22,882) | \$ 3,558 | \$ 406,115 |

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATISTICAL SECTION

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATISTICAL SECTION

(Unaudited)

The statistical section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the District's overall financial health.

| Contents | Statistic | Page |
|---|-----------|---------|
| Financial Trends | | |
| These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time. | 1 - 7 | 63 - 69 |
| Revenue Capacity | | |
| These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax. | 8 - 11 | 70 - 73 |
| Debt Capacity | | |
| These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future. | 12 - 14 | 74 - 76 |
| Demographic and Economic Information | | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place, and to help make comparisons over time and with other governments. | 15 - 17 | 77 - 79 |
| Operating Information | | |
| These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs. | 18 - 19 | 80 - 81 |

Fort Dodge Community School District

Net Position by Component
Last Ten Fiscal Years*
(accrual basis of accounting)
(Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|--|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | |
| Net investment in capital assets | \$ 12,164,342 | \$ 13,501,502 | \$ 14,325,609 | \$ 16,997,726 |
| Restricted | 1,483,227 | 2,460,485 | 4,062,467 | 3,272,163 |
| Unrestricted | 2,445,185 | 2,701,454 | 1,755,572 | 1,531,036 |
| Total governmental activities net position | \$ 16,092,754 | \$ 18,663,441 | \$ 20,143,648 | \$ 21,800,925 |
| Business-type activities: | | | | |
| Net investment in capital assets | \$ 122,086 | \$ 110,927 | \$ 132,331 | \$ 160,339 |
| Unassigned | 19,759 | 92,157 | 209,805 | 221,340 |
| Total business-type activities net position | \$ 141,845 | \$ 203,084 | \$ 342,136 | \$ 381,679 |
| Primary government: | | | | |
| Net investment in capital assets | \$ 12,286,428 | \$ 13,612,429 | \$ 14,457,940 | \$ 17,158,065 |
| Restricted | 1,483,227 | 2,460,485 | 4,062,467 | 3,272,163 |
| Unrestricted | 2,464,944 | 2,793,611 | 1,965,377 | 1,752,376 |
| Total primary government net position | \$ 16,234,599 | \$ 18,866,525 | \$ 20,485,784 | \$ 22,182,604 |

Statistic 1

| Fiscal Year | | | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|--|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| \$ 17,836,493 | \$ 19,370,712 | \$ 23,191,190 | \$ 26,278,268 | \$ 23,146,756 | \$ 24,953,137 | | |
| 5,646,826 | 6,876,853 | 5,908,765 | 4,508,274 | 9,115,843 | 5,569,569 | | |
| 1,633,944 | (206,130) | 1,267,988 | 2,720,360 | 3,328,491 | 5,962,405 | | |
| \$ 25,117,263 | \$ 26,041,435 | \$ 30,367,943 | \$ 33,506,902 | \$ 35,591,090 | \$ 36,485,111 | | |
| \$ 162,426 | \$ 156,766 | \$ 185,454 | \$ 208,006 | \$ 178,000 | \$ 188,490 | | |
| 307,403 | 384,741 | 405,929 | 384,223 | 437,069 | 480,161 | | |
| \$ 469,829 | \$ 541,507 | \$ 591,383 | \$ 592,229 | \$ 615,069 | \$ 668,651 | | |
| \$ 17,998,919 | \$ 19,527,478 | \$ 23,376,644 | \$ 26,486,274 | \$ 23,324,756 | \$ 25,141,627 | | |
| 5,646,826 | 6,876,853 | 5,908,765 | 4,508,274 | 9,115,843 | 5,569,569 | | |
| 1,941,347 | 178,611 | 1,673,917 | 3,104,583 | 3,765,560 | 6,442,566 | | |
| \$ 25,587,092 | \$ 26,582,942 | \$ 30,959,326 | \$ 34,099,131 | \$ 36,206,159 | \$ 37,153,762 | | |

Fort Dodge Community School District

**Expenses, Program Revenues and Net (Expense) Revenue
Last Ten Fiscal Years*
(accrual basis of accounting)
(Unaudited)**

| | 2005 | 2006 | 2007 | 2008 |
|---|------------------------|------------------------|------------------------|------------------------|
| Expenses: | | | | |
| Governmental activities: | | | | |
| Instruction | \$ 21,989,010 | \$ 22,596,742 | \$ 24,685,058 | \$ 26,278,762 |
| Support services: | | | | |
| Student services | 1,227,542 | 1,676,128 | 1,724,735 | 1,811,705 |
| Instructional services | 1,506,657 | 1,874,893 | 1,789,751 | 1,622,792 |
| Administration services | 2,812,121 | 3,494,412 | 3,752,723 | 3,786,616 |
| Operation and maintenance of plant | 2,443,822 | 3,043,608 | 2,914,438 | 3,211,966 |
| Pupil transportation services | 913,548 | 1,095,412 | 1,106,421 | 1,190,841 |
| Central Support Services | - | - | - | - |
| Noninstructional programs | 50,297 | 24,210 | 25,755 | 13,391 |
| Facilities Acquisition | 326,249 | 100,056 | 283,730 | 298,271 |
| Long-Term debt interest and fiscal charges | 258,428 | 208,226 | 155,937 | 80,004 |
| AEA Flowthrough | 1,307,783 | 1,333,850 | 1,430,875 | 1,496,741 |
| Depreciation (unallocated) | 597,586 | 628,514 | 655,711 | 666,078 |
| Total governmental activities expenses | 33,433,043 | 36,076,051 | 38,525,134 | 40,457,167 |
| Business-type activities, nutrition | 1,635,026 | 1,596,042 | 1,616,751 | 1,728,573 |
| Total primary government expenses | \$ 35,068,069 | \$ 37,672,093 | \$ 40,141,885 | \$ 42,185,740 |
| Program revenues: | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| Instruction | \$ 1,859,434 | \$ 2,176,888 | \$ 2,257,878 | \$ 2,280,011 |
| Support services | 36,865 | 31,340 | 41,138 | 43,339 |
| Operating grants and contributions | 4,431,482 | 4,545,544 | 5,202,843 | 6,023,054 |
| Capital grants and contributions | - | - | 100,000 | 360,462 |
| Total governmental activities program revenues | 6,327,781 | 6,753,772 | 7,601,859 | 8,706,866 |
| Business-type activities: | | | | |
| Charges for services, nutrition | 765,454 | 744,036 | 816,050 | 765,983 |
| Operating grants and contributions | 866,375 | 908,450 | 931,998 | 996,472 |
| Capital grants and contributions | - | - | - | - |
| Total business-type program revenues | 1,631,829 | 1,652,486 | 1,748,048 | 1,762,455 |
| Total primary government program revenues | \$ 7,959,610 | \$ 8,406,258 | \$ 9,349,907 | \$ 10,469,321 |
| Net (expense) revenue: | | | | |
| Governmental activities | \$ (27,105,262) | \$ (29,322,279) | \$ (30,923,275) | \$ (31,750,301) |
| Business-type activities | (3,197) | 56,444 | 131,297 | 33,882 |
| Total primary government net expense | \$ (27,108,459) | \$ (29,265,835) | \$ (30,791,978) | \$ (31,716,419) |

Statistic 2

| Fiscal Year | | | | | | | |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|--|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| \$ 27,328,550 | \$ 28,090,953 | \$ 27,397,925 | \$ 27,068,019 | \$ 26,524,935 | \$ 25,719,255 | | |
| 1,945,881 | 1,950,853 | 1,932,274 | 1,948,544 | 1,883,569 | 2,024,988 | | |
| 2,577,602 | 2,462,322 | 2,643,447 | 2,702,515 | 2,577,114 | 2,143,504 | | |
| 3,944,250 | 3,990,588 | 3,777,380 | 4,028,872 | 3,906,223 | 4,243,014 | | |
| 3,074,296 | 3,041,546 | 3,003,684 | 3,125,868 | 3,227,015 | 6,268,156 | | |
| 1,004,210 | 1,037,477 | 1,091,496 | 1,215,745 | 1,211,024 | 1,300,391 | | |
| - | - | - | - | - | - | | |
| 25,049 | 35,181 | 9,027 | 8,273 | 9,213 | 4,970 | | |
| 529,517 | 135,135 | 189,302 | 153,475 | - | - | | |
| - | - | - | 1,046,538 | 1,315,095 | 1,294,145 | | |
| 1,559,569 | 1,744,044 | 1,748,108 | 1,573,604 | 1,589,663 | 1,647,708 | | |
| 729,757 | 783,507 | 802,616 | 906,801 | 907,094 | 1,568,122 | | |
| 42,718,681 | 43,271,606 | 42,595,259 | 43,778,254 | 43,150,945 | 46,214,253 | | |
| 1,753,249 | 1,764,208 | 1,848,393 | 1,982,211 | 1,961,295 | 2,039,678 | | |
| \$ 44,471,930 | \$ 45,035,814 | \$ 44,443,652 | \$ 45,760,465 | \$ 45,112,240 | \$ 48,253,931 | | |
| | | | | | | | |
| \$ 2,215,244 | \$ 2,121,778 | \$ 2,489,544 | \$ 2,573,678 | \$ 2,176,525 | \$ 1,995,068 | | |
| 44,421 | 63,192 | 72,573 | 90,820 | 121,728 | 113,874 | | |
| 7,793,068 | 8,328,936 | 8,650,852 | 7,818,208 | 8,210,896 | 8,461,423 | | |
| 288,367 | 130,000 | 106,128 | 44,760 | 11,495 | 37,319 | | |
| 10,341,100 | 10,643,906 | 11,319,097 | 10,527,466 | 10,520,644 | 10,607,684 | | |
| | | | | | | | |
| 731,955 | 700,488 | 701,178 | 680,663 | 662,130 | 660,999 | | |
| 1,107,176 | 1,129,067 | 1,193,028 | 1,300,040 | 1,320,198 | 1,430,408 | | |
| - | 3,840 | - | - | - | - | | |
| 1,839,131 | 1,833,395 | 1,894,206 | 1,980,703 | 1,982,328 | 2,091,407 | | |
| \$ 12,180,231 | \$ 12,477,301 | \$ 13,213,303 | \$ 12,508,169 | \$ 12,502,972 | \$ 12,699,091 | | |
| | | | | | | | |
| \$ (32,377,581) | \$ (32,627,700) | \$ (31,276,162) | \$ (33,250,788) | \$ (32,630,301) | \$ (35,606,569) | | |
| 85,882 | 69,187 | 45,813 | (1,508) | 21,033 | 51,729 | | |
| \$ (32,291,699) | \$ (32,558,513) | \$ (31,230,349) | \$ (33,252,296) | \$ (32,609,268) | \$ (35,554,840) | | |

Fort Dodge Community School District

**General Revenues and Total Change in Net Position
Last Ten Fiscal Years***
(accrual basis of accounting)
(Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|---|---------------------|---------------------|---------------------|---------------------|
| Net (expense) revenue: | | | | |
| Governmental activities | \$ (27,105,262) | \$ (29,322,279) | \$ (30,923,275) | \$ (31,750,301) |
| Business-type activities | (3,197) | 56,444 | 131,297 | 33,882 |
| Total primary government net expense | (27,108,459) | (29,265,835) | (30,791,978) | (31,716,419) |
| General revenues and other changes in net assets: | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes levied for general purposes | 11,317,375 | 11,975,235 | 11,291,529 | 11,453,968 |
| Property taxes levied for capital outlay | 789,596 | 790,976 | 793,056 | 802,698 |
| Property taxes levied debt service | - | - | - | - |
| Income Surtax | - | 541,695 | 608,405 | 1,004,492 |
| Statewide sales, services and use tax | 1,670,939 | 1,949,301 | 1,956,116 | 2,008,936 |
| Unrestricted grants and contributions | 15,735,920 | 16,027,153 | 16,976,374 | 17,697,874 |
| Unrestricted Investment earnings | 187,622 | 347,945 | 436,920 | 285,560 |
| Other | 125,323 | 260,661 | 341,082 | 154,050 |
| Total governmental activities | 29,826,775 | 31,892,966 | 32,403,482 | 33,407,578 |
| Business-type activities, investment earnings | 2,588 | 4,795 | 7,755 | 5,661 |
| Total primary government | 29,829,363 | 31,897,761 | 32,411,237 | 33,413,239 |
| Change in net position: | | | | |
| Governmental activities | 2,721,513 | 2,570,687 | 1,480,207 | 1,657,277 |
| Business-type activities | (609) | 61,239 | 139,052 | 39,543 |
| Total primary government | \$ 2,720,904 | \$ 2,631,926 | \$ 1,619,259 | \$ 1,696,820 |

Statistic 3

| Fiscal Year | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ (32,377,581) | \$ (32,627,700) | \$ (31,276,162) | \$ (33,250,788) | \$ (32,630,301) | \$ (35,606,569) |
| 85,882 | 69,187 | 45,813 | (1,508) | 21,033 | 51,729 |
| (32,291,699) | (32,558,513) | (31,230,349) | (33,252,296) | (32,609,268) | (35,554,840) |
| 12,030,541 | 12,561,345 | 13,332,443 | 13,573,867 | 12,561,620 | 12,879,378 |
| 807,337 | 818,293 | 836,953 | 858,151 | 897,211 | 932,823 |
| - | - | - | - | - | - |
| 682,423 | 537,731 | 598,400 | 584,010 | 589,334 | 719,872 |
| 4,061,477 | 2,536,509 | 3,051,186 | 3,148,552 | 3,178,566 | 3,227,146 |
| 17,770,730 | 16,675,746 | 17,404,614 | 17,640,717 | 17,095,868 | 17,946,255 |
| 84,085 | 100,379 | 134,291 | 90,004 | 144,842 | 100,673 |
| 257,326 | 321,869 | 244,783 | 494,446 | 247,048 | 694,443 |
| 35,693,919 | 33,551,872 | 35,602,670 | 36,389,747 | 34,714,489 | 36,500,590 |
| 2,268 | 2,491 | 4,063 | 2,354 | 1,807 | 1,853 |
| 35,696,187 | 33,554,363 | 35,606,733 | 36,392,101 | 34,716,296 | 36,502,443 |
| 3,316,338 | 924,172 | 4,326,508 | 3,138,959 | 2,084,188 | 894,021 |
| 88,150 | 71,678 | 49,876 | 846 | 22,840 | 53,582 |
| \$ 3,404,488 | \$ 995,850 | \$ 4,376,384 | \$ 3,139,805 | \$ 2,107,028 | \$ 947,603 |

Fort Dodge Community School District

**Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

| | 2005 | 2006 | 2007 | 2008 |
|---|---------------------|---------------------|---------------------|---------------------|
| General Fund: | | | | |
| Reserved | \$ 29,159 | \$ 6,026 | \$ 30,594 | \$ 67,151 |
| Unreserved | 5,027,731 | 5,036,555 | 4,263,751 | 4,226,934 |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total general fund | \$ 5,056,890 | \$ 5,042,581 | \$ 4,294,345 | \$ 4,294,085 |
| All other governmental funds: | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - |
| Debt Service Funds | 100,426 | 100,323 | 99,939 | - |
| Other Reserved | 92,725 | - | - | - |
| Unreserved, reported in: | - | - | - | - |
| Capital projects funds | 1,181,444 | 1,388,726 | 2,572,365 | 2,066,338 |
| Special revenue funds | 498,158 | 1,189,280 | 1,449,930 | 1,168,109 |
| Restricted for the following purposes: | | | | |
| Debt Service | - | - | - | - |
| Revenue Bond Reserve | - | - | - | - |
| Management levy purposes | - | - | - | - |
| Student activity | - | - | - | - |
| Other Capital Projects | - | - | - | - |
| School Infrastructure | - | - | - | - |
| Physical plant and equipment | - | - | - | - |
| Unassigned | - | - | - | - |
| Total all other governmental funds | \$ 1,872,753 | \$ 2,678,329 | \$ 4,122,234 | \$ 3,234,447 |

Statistic 4

| Fiscal Year | | | | | | | |
|--------------|--------------|--------------|---------------|---------------|--------------|--|--|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| \$ 263,880 | \$ 870,606 | \$ 3,133 | \$ 6,923 | \$ 53,393 | \$ - | | |
| 4,385,878 | 4,043,233 | - | - | - | - | | |
| - | - | 1,186,873 | 1,470,008 | 1,320,149 | 922,261 | | |
| - | - | - | - | - | - | | |
| - | - | - | - | - | - | | |
| - | - | 5,052,673 | 6,724,117 | 6,927,000 | 7,669,304 | | |
| \$ 4,649,758 | \$ 4,913,839 | \$ 6,242,679 | \$ 8,201,048 | \$ 8,300,542 | \$ 8,591,565 | | |
| | | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| - | - | - | - | - | - | | |
| - | - | - | - | - | - | | |
| - | - | - | - | - | - | | |
| 4,850,547 | 5,665,378 | - | - | - | - | | |
| 981,597 | 911,452 | - | - | - | - | | |
| - | - | - | 939,780 | 1,323,459 | 1,340,388 | | |
| - | - | - | 3,049,500 | 3,049,500 | 3,049,500 | | |
| - | - | 940,437 | 489,450 | 1,013,502 | 2,100,557 | | |
| - | - | 289,864 | 266,369 | 341,139 | 424,004 | | |
| - | - | - | 12,778,475 | 142,116 | 408,993 | | |
| - | - | 4,145,994 | 5,113,923 | 4,504,002 | 755,889 | | |
| - | - | 286,034 | 121,793 | 526,490 | 906,068 | | |
| - | - | - | - | - | - | | |
| \$ 5,832,144 | \$ 6,576,830 | \$ 5,662,329 | \$ 22,759,290 | \$ 10,900,208 | \$ 8,985,399 | | |

Fort Dodge Community School District

Governmental Funds Revenues

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
| Federal Sources | \$ 1,953,405 | \$ 1,818,330 | \$ 2,015,599 | \$ 2,037,000 |
| State Sources | 18,249,076 | 18,836,062 | 20,250,336 | 21,631,978 |
| Intermediate Sources | - | 2,150 | 39,655 | 30 |
| Local sources: | | | | |
| Local Taxes | 13,765,849 | 14,715,512 | 14,605,291 | 15,044,903 |
| Tuition | 760,724 | 901,333 | 1,003,395 | 1,118,721 |
| Other revenues | 1,416,896 | 1,828,077 | 2,058,468 | 2,051,673 |
| Total local sources | 15,943,469 | 17,444,922 | 17,667,154 | 18,215,297 |
| Total revenues | \$ 36,145,950 | \$ 38,101,464 | \$ 39,972,744 | \$ 41,884,305 |

Statistic 5

| Fiscal Year | | | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| \$ 2,910,717 | \$ 4,981,956 | \$ 3,823,588 | \$ 2,572,107 | \$ 3,061,994 | \$ 2,962,721 | | |
| 22,641,130 | 20,009,076 | 22,210,714 | 22,526,726 | 22,008,765 | 26,678,199 | | |
| 25,979 | 144,810 | - | 4,000 | 8,368 | 1,821 | | |
| 17,570,913 | 16,550,866 | 17,843,213 | 18,169,182 | 17,254,503 | 14,485,419 | | |
| 1,147,876 | 1,062,901 | 1,489,211 | 1,439,931 | 1,039,204 | 929,004 | | |
| 1,717,814 | 1,540,162 | 1,565,601 | 2,165,232 | 1,890,561 | 1,991,867 | | |
| 20,436,603 | 19,153,929 | 20,898,025 | 21,774,345 | 20,184,268 | 17,406,290 | | |
| \$ 46,014,429 | \$ 44,289,771 | \$ 46,932,327 | \$ 46,877,178 | \$ 45,263,395 | \$ 47,049,031 | | |

Fort Dodge Community School District

Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|--|----------------------|----------------------|----------------------|----------------------|
| Instruction | \$ 22,144,273 | \$ 22,472,567 | \$ 24,472,714 | \$ 25,951,527 |
| Student Services | 1,227,542 | 1,676,128 | 1,738,220 | 1,802,069 |
| Instructional Staff Services | 1,506,657 | 1,874,893 | 1,809,342 | 1,692,107 |
| Administration Services | 2,853,328 | 3,455,908 | 3,718,929 | 3,730,001 |
| Operation and Maintenance of Plant Services | 2,507,734 | 3,047,374 | 2,878,088 | 3,215,165 |
| Transportation Services | 922,757 | 993,752 | 1,095,187 | 1,243,037 |
| Central and Other Support Services | - | - | - | - |
| Non-Instructional Programs | 50,297 | 24,210 | 25,755 | 13,391 |
| Capital Outlay: | | | | |
| Facilities Acquisition | 1,993,757 | 1,232,599 | 902,477 | 1,304,281 |
| Debt service: | | | | |
| Principal | 945,000 | 990,000 | 1,045,000 | 2,250,000 |
| Interest and Fiscal Charges | 262,620 | 212,495 | 160,488 | 89,943 |
| AEA Flowthrough | 1,307,783 | 1,333,850 | 1,430,875 | 1,496,741 |
| Total expenditures | \$ 35,721,748 | \$ 37,313,776 | \$ 39,277,075 | \$ 42,788,262 |
| Debt service as a percentage of noncapital expenditures | 3.71% | 3.45% | 3.24% | 5.98% |

Statistic 6

| Fiscal Year | | | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|-------|--|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| \$ 26,846,640 | \$ 26,606,333 | \$ 27,416,574 | \$ 27,069,380 | \$ 26,337,813 | \$ 26,497,530 | | |
| 1,967,015 | 1,933,935 | 1,917,455 | 1,931,775 | 1,878,843 | 2,024,988 | | |
| 2,567,440 | 2,440,974 | 2,623,174 | 2,679,260 | 2,727,009 | 2,143,504 | | |
| 3,865,335 | 3,754,908 | 3,808,152 | 4,031,101 | 3,934,621 | 4,243,014 | | |
| 3,064,931 | 2,984,298 | 2,981,523 | 3,120,758 | 3,195,979 | 3,453,998 | | |
| 968,941 | 1,680,534 | 1,075,374 | 1,612,758 | 1,092,684 | 1,354,666 | | |
| - | - | - | - | - | - | | |
| 25,049 | 35,180 | 9,027 | 8,273 | 9,213 | 4,970 | | |
| | | | | - | - | | |
| 2,216,729 | 2,114,401 | 4,962,492 | 17,575,360 | 14,620,292 | 4,683,262 | | |
| - | - | - | - | - | - | | |
| - | - | - | 785,925 | 1,645,154 | 2,649,500 | | |
| 1,559,569 | 1,744,044 | 1,748,108 | 1,573,604 | 1,589,663 | 1,647,708 | | |
| \$ 43,081,649 | \$ 43,294,607 | \$ 46,541,879 | \$ 60,388,194 | \$ 57,031,271 | \$ 48,703,140 | | |
| 0.00% | | 0.00% | | 0.00% | | 1.87% | |
| | | | | | | 4.04% | |
| | | | | | | 6.40% | |

Fort Dodge Community School District

Other Financing Sources and Uses and Net Change in Fund Balances

Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|--|-------------------|-------------------|-------------------|---------------------|
| Excess of revenues over (under) expenditures | \$ 424,202 | \$ 787,688 | \$ 695,669 | \$ (903,957) |
| Other financing sources (uses): | | | | |
| Sale of Equipment | 8,606 | 3,579 | - | 15,910 |
| Bond Premium | - | - | - | - |
| Interfund transfers in | 1,207,595 | 1,311,120 | 1,853,942 | 2,311,677 |
| Interfund transfers out | (1,207,595) | (1,311,120) | (1,853,942) | (2,311,677) |
| Revenue Bonds Issued | - | - | - | - |
| Total other financing sources (uses) | 8,606 | 3,579 | - | 15,910 |
| Net change in fund balances | \$ 432,808 | \$ 791,267 | \$ 695,669 | \$ (888,047) |

Source: School District Financial Records

Statistic 7

| Fiscal Year | | | | | | | |
|--------------|--------------|------------|-----------------|-----------------|----------------|--|--|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| \$ 2,932,780 | \$ 995,164 | \$ 390,448 | \$ (13,511,016) | \$ (11,767,876) | \$ (1,654,109) | | |
| 20,590 | 13,603 | 23,891 | 53,004 | 8,288 | 30,323 | | |
| - | - | - | 2,018,342 | - | - | | |
| 19,955 | 2,750 | 78,831 | 3,991,894 | 2,044,787 | 2,625,790 | | |
| (19,955) | (2,750) | (78,831) | (3,991,894) | (2,044,787) | (2,625,790) | | |
| - | - | - | 30,495,000 | - | - | | |
| 20,590 | 13,603 | 23,891 | 32,566,346 | 8,288 | 30,323 | | |
| \$ 2,953,370 | \$ 1,008,767 | \$ 414,339 | \$ 19,055,330 | \$ (11,759,588) | \$ (1,623,786) | | |

**Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year ended June 30, | Actual Value | | | Total Actual Value | Total Taxable Value | Total Direct Rate (a) |
|-------------------------------|-------------------------|------------------------|---------------------------------------|-----------------------|------------------------|--------------------------|
| | Residential Property | Commercial Property | Agricultural and Other Property | | | |
| 2005 | \$ 791,708,380 | \$ 249,229,602 | \$ 157,727,721 | \$ 1,198,665,703 | \$ 789,366,295 | 15.76329 |
| 2006 | 802,073,123 | 250,070,530 | 160,773,447 | 1,212,917,100 | 791,415,551 | 15.89772 |
| 2007 | 810,841,646 | 256,183,335 | 170,632,149 | 1,237,657,130 | 790,041,495 | 15.65813 |
| 2008 | 824,437,141 | 261,149,141 | 177,395,223 | 1,262,981,505 | 801,458,851 | 15.75483 |
| 2009 | 837,427,270 | 262,815,827 | 193,591,365 | 1,293,834,462 | 808,838,115 | 16.37612 |
| 2010 | 845,488,704 | 258,358,060 | 200,604,900 | 1,304,451,664 | 824,276,257 | 16.84234 |
| 2011 | 851,269,319 | 255,387,088 | 244,379,417 | 1,351,035,824 | 843,625,089 | 17.45222 |
| 2012 | 854,087,950 | 257,627,079 | 245,487,772 | 1,357,202,801 | 865,556,648 | 17.39620 |
| 2013 | 874,474,263 | 259,371,393 | 270,392,660 | 1,404,238,316 | 898,862,785 | 15.48989 |
| 2014 | 877,761,348 | 261,103,323 | 272,607,057 | 1,411,471,728 | 923,231,535 | 15.45853 |

Source: Webster County Auditor.

Note: The actual values are determined as of January 1, of the calendar year prior to the fiscal year indicated. These actual values are used to calculate the taxable values for the second budget following assessment date.

(a) Per \$1,000 of assessed value.

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)
(Unaudited)

| Fiscal Year Ended June 30 | District Direct Rates | | | | Overlapping Rates | | | |
|------------------------------------|-----------------------|---------------------|--------------------------|-----------------|-------------------|-----------------------|----------------------|----------------|
| | General Purposes | Capital Purposes | Debt Service Purposes | Total | Webster County | City of Fort Dodge | Community College | Other |
| 2002 | 12.42722 | 1.00000 | 0.00000 | 13.42722 | 5.48655 | 15.25701 | 0.56147 | 0.40296 |
| 2003 | 14.53529 | 1.00000 | 0.00000 | 15.53529 | 5.64557 | 17.07328 | 0.63737 | 0.39668 |
| 2005 | 14.76329 | 1.00000 | 0.00000 | 15.76329 | 6.21925 | 16.58116 | 0.75174 | 0.46489 |
| 2006 | 14.89772 | 1.00000 | 0.00000 | 15.89772 | 6.76218 | 17.03176 | 0.86610 | 0.46764 |
| 2007 | 14.65813 | 1.00000 | 0.00000 | 15.65813 | 6.93691 | 16.98749 | 0.68343 | 0.47313 |
| 2008 | 14.75483 | 1.00000 | 0.00000 | 15.75483 | 6.93469 | 16.99747 | 0.67603 | 0.47554 |
| 2009 | 15.37612 | 1.00000 | 0.00000 | 16.37612 | 6.75687 | 16.45243 | 1.03807 | 0.46914 |
| 2010 | 15.84234 | 1.00000 | 0.00000 | 16.84234 | 6.85437 | 17.04193 | 0.93177 | 0.53542 |
| 2011 | 16.45222 | 1.00000 | 0.00000 | 17.45222 | 6.92838 | 18.44179 | 0.97767 | 0.54209 |
| 2012 | 16.39620 | 1.00000 | 0.00000 | 17.39620 | 6.77783 | 19.92702 | 0.87149 | 0.50087 |
| 2013 | 14.49627 | 1.00000 | 0.00000 | 15.49627 | 6.49196 | 20.81519 | 0.81973 | 0.41881 |
| 2014 | 14.45853 | 1.00000 | 0.00000 | 15.45853 | 6.52995 | 20.81519 | 0.87786 | 0.41639 |

Source: Webster County Auditor and Iowa Department of Management. & Piper Jaffray

Other column consists of Webster County Ag. Extension, Webster County Assessor, and State TB Eradication Levies.

Fort Dodge Community School District

Statistic 10

Principal Property Taxpayers
Current Year and Five Years Ago
(Unaudited)

| Taxpayer | 2014 | | | 2009 | | |
|-------------------------------|-----------------------|------|-----------------------------------|-----------------------|------|-----------------------------------|
| | Taxable Value | Rank | Percentage of Total Taxable Value | Taxable Value | Rank | Percentage of Total Taxable Value |
| Mid American Energy Co | \$ 45,330,668 | 1 | 4.91% | \$ 39,187,854 | 1 | 4.91% |
| Boehringer Ingelheim | 17,075,963 | 2 | 1.85% | 17,231,320 | 2 | 2.16% |
| Union Pacific Railroad Co | 8,570,762 | 3 | 0.93% | 5,353,215 | 11 | 0.67% |
| Koch Nitrogen | 8,076,980 | 4 | 0.87% | 7,225,240 | 8 | 0.90% |
| Crossroads Mall 1999 LLC | 8,011,132 | 5 | 0.87% | 9,400,000 | 0 | 1.18% |
| Wal-Mart Real Estate Business | 7,257,535 | 6 | 0.79% | 7,636,510 | 5 | 0.96% |
| Trinity Building Corp. | 6,917,084 | 7 | 0.75% | 7,281,140 | 7 | 0.91% |
| Menards Inc. | 6,808,432 | 8 | 0.74% | 7,297,700 | 6 | 0.91% |
| Northern Natural gas | 6,520,450 | 9 | 0.71% | 6,733,117 | 9 | 0.84% |
| US Gypsum Co | 5,258,277 | 10 | 0.57% | 5,916,100 | 10 | 0.74% |
| Friendship Haven | 4,970,910 | 11 | 0.54% | 8,937,660 | 4 | 1.12% |
| Calcium Products, Inc. | 4,484,949 | 12 | 0.49% | | | 0.00% |
| Van Diest Family LLC | 4,100,078 | 13 | 0.44% | | | 0.00% |
| BHJ USA Inc. | 3,999,663 | 14 | 0.43% | | | 0.00% |
| Can (WI) QRS 12-34 Inc. | 3,936,479 | 15 | 0.43% | 3,866,419 | 15 | 0.48% |
| Art Mort Borrower Propco 2006 | 3,861,209 | 16 | 0.42% | 4,064,430 | 12 | 0.51% |
| Dayton Hudson Corp. | 3,860,116 | 17 | 0.42% | 4,063,280 | 13 | 0.51% |
| Cole Ko Fort Dodge IA LLC | 3,699,908 | 18 | 0.40% | | | 0.00% |
| Colby Charles I & Ruth | 3,680,386 | 19 | 0.40% | 3,874,090 | 14 | 0.48% |
| Allied Investment Prop LLC | 3,495,705 | 20 | 0.38% | | | 0.00% |
| Nestle Good Company | 3,335,032 | | 0.36% | 3,407,640 | 17 | 0.43% |
| Johnson Automotive | 2,989,945 | | 0.32% | 3,160,060 | 19 | 0.40% |
| National Gypsum Co. | 2,994,867 | | 0.32% | 3,265,200 | 18 | 0.41% |
| Tifftra LLC | 1,663,836 | | 0.18% | | | 0.00% |
| Omaha Cold Storage | | | 0.00% | 3,816,670 | 16 | 0.48% |
| U. S. Bank, NA | | | 0.00% | 2,962,140 | 20 | 0.37% |
| All other taxpayers | | | 81.49% | 644,194,208 | | 80.64% |
| Total | <u>\$ 923,231,535</u> | | <u>100.00%</u> | <u>\$ 798,873,993</u> | | <u>100.00%</u> |

Source: Webster County Auditor.

*2009 was earliest date information was available from Webster County.

Property Tax Levies and Collections
Last Seven Fiscal Years
(Unaudited)

| Fiscal Year | Taxes Levied for the Fiscal Year | | Collected Within the Fiscal Year of the Levy | | Collections In Subsequent Years | Total Collections to Date | | | |
|-------------|----------------------------------|------------|--|--------------------|---------------------------------|---------------------------|--------------------|------------|--------|
| | | | Amount | Percentage of Levy | | Amount | Percentage of Levy | | |
| 2008 | \$ | 12,236,691 | \$ | 12,210,243 | 99.78% | 20,011 | \$ | 12,230,254 | 99.95% |
| 2009 | | 12,836,328 | | 12,793,551 | 99.67% | 19,408 | | 12,812,960 | 99.82% |
| 2010 | | 13,480,309 | | 13,348,818 | 99.02% | 5,424 | | 13,354,242 | 99.06% |
| 2011 | | 14,285,727 | | 14,141,625 | 98.99% | 1,191 | | 14,142,816 | 99.00% |
| 2012 | | 14,561,840 | | 14,400,570 | 98.89% | 2,566 | | 14,403,136 | 98.91% |
| 2013 | | 13,484,315 | | 13,461,984 | 99.83% | 13,331 | | 13,475,315 | 99.93% |
| 2014 | | 13,789,018 | | 13,729,430 | 99.57% | 1,936 | | 13,731,366 | 99.58% |

Source: Webster County Auditor and District records.

*2007-2008 was the earliest date information was available from Webster County.

Fort Dodge Community School District

**Outstanding Debt By Type
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | General Obligation Bonds Outstanding | Revenue Bonds | Capital Leases | Capital Loan Notes | Early Retirement | Compensated Absences |
|------------------------|---|--------------------------|---------------------------|-------------------------------|-----------------------------|---------------------------------|
| 2005 | \$ - | \$ 4,285,000 | \$ - | \$ - | \$ 597,952 | \$ 2,464,306 |
| 2006 | - | 3,295,000 | - | - | 291,855 | 2,879,211 |
| 2007 | - | 2,250,000 | - | - | 90,999 | 3,178,994 |
| 2008 | - | - | - | - | 148,348 | 3,493,056 |
| 2009 | - | - | - | - | 586,939 | 3,338,923 |
| 2010 | - | - | - | - | 1,716,952 | 3,577,820 |
| 2011 | - | - | - | - | 1,431,605 | 3,541,555 |
| 2012 | - | 30,495,000 | - | - | 1,288,184 | 3,254,897 |
| 2013 | - | 30,495,000 | - | - | 1,245,887 | 3,307,056 |
| 2014 | - | 29,260,000 | - | - | 675,409 | 3,447,669 |

Source: District records

Statistic 12

| Net OPEB Liability | Total Primary Government | Percentage of Personal Income | Per Capita |
|-----------------------|-----------------------------|-------------------------------------|---------------|
| \$ - | \$ 7,347,258 | 0.66% | 188.77 |
| - | 6,466,066 | 0.57% | 167.68 |
| - | 5,519,993 | 0.47% | 143.25 |
| - | 3,641,404 | 0.29% | 94.85 |
| 154,000 | 4,079,862 | 0.30% | 106.60 |
| 308,000 | 5,602,772 | 0.43% | 146.23 |
| 535,000 | 5,508,160 | 0.41% | 145.40 |
| 764,000 | 35,802,081 | 2.41% | 950.67 |
| 950,000 | 35,997,943 | N/A | 971.76 |
| 1,036,000 | 34,419,078 | N/A | N/A |

Direct and Overlapping Governmental Activities Debt
As of June 30, 2014
(Unaudited)

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable* | Estimated Share of Direct and Overlapping Debt |
|--|-----------------------------|---|---|
| City of Badger | \$ - | 100.00% | \$ - |
| City of Fort Dodge | 107,158,500 | 100.00% | 107,158,500 |
| City of Otho | 225,000 | 100.00% | 225,000 |
| Webster County | 8,823,626 | 57.56% | 5,078,879 |
| Iowa Central Community College | 40,160,000 | 12.90% | 5,180,640 |
| AEA #8 - Prairie Lakes | 800,000 | 7.21% | 57,680 |
| Subtotal, overlapping debt | | | 117,700,699 |
| District direct debt | | | <u>30,495,000</u> |
| Total direct and overlapping debt | | | <u><u>\$ 148,195,699</u></u> |

Source: Webster County Auditor & Piper Jaffray

* Estimate is based upon overlapping total assessed value and assessed value within Fort Dodge Community School District boundaries.

Fort Dodge Community School District

**Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

| | 2005 | 2006 | 2007 | 2008 |
|---|----------------------|----------------------|----------------------|----------------------|
| Debt limit | \$ 59,933,285 | \$ 60,645,855 | \$ 61,882,857 | \$ 63,149,075 |
| Total net debt applicable to limit | 4,285,000 | 3,295,000 | 2,250,000 | - |
| Debt service reserve fund balances | - | - | - | - |
| Legal debt margin | <u>\$ 55,648,285</u> | <u>\$ 57,350,855</u> | <u>\$ 59,632,857</u> | <u>\$ 63,149,075</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 7.15% | 5.43% | 3.64% | 0.00% |

Source: Webster County Auditor and District Records.

Notes:

It has not been determined if Sales Tax debt is counted toward the statutory debt limit. This table assumes that Sales Tax debt is required to

Statistic 14

Legal Debt Margin Calculation for Fiscal Year 2014

| | |
|--------------------------------------|-------------------------|
| Assessed value (a) | <u>\$ 1,411,471,728</u> |
| Debt limit (5% of assessed value)(b) | \$ 70,573,586 |
| Debt applicable to limit | 30,495,000 |
| Debt service reserve fund balance | <u>3,049,500</u> |
| Legal debt margin | <u>\$ 43,128,086</u> |

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 64,691,723 | \$ 65,222,583 | \$ 67,551,791 | \$ 67,860,140 | \$ 70,211,916 | \$ 70,573,586 |
| | - | - | - | 30,495,000 | 30,495,000 | 30,495,000 |
| | - | - | - | 3,049,500 | 3,049,500 | 3,049,500 |
| <u>\$</u> | <u>64,691,723</u> | <u>\$ 65,222,583</u> | <u>\$ 67,551,791</u> | <u>\$ 40,414,640</u> | <u>\$ 42,766,416</u> | <u>\$ 43,128,086</u> |

0.00% 0.00% 0.00% 44.94% 43.43% 43.21%

be included in that calculation.

Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

| Calendar Year | Population (a) | Personal Income (In Thousands) (a) | Per Capita Personal Income (a) | Fort Dodge MSA Unemployment Rate (b) |
|--------------------------|-----------------------|---|---|---|
| 2002 | 39,654 | 1,072,451 | 27,045 | 4.1% |
| 2004 | 38,922 | \$ 1,120,439 | \$ 28,787 | 4.9% |
| 2005 | 38,562 | 1,127,209 | 29,231 | 4.3% |
| 2006 | 38,534 | 1,179,301 | 30,604 | 4.0% |
| 2007 | 38,393 | 1,263,132 | 32,900 | 4.0% |
| 2008 | 38,273 | 1,381,767 | 36,103 | 4.2% |
| 2009 | 38,316 | 1,310,772 | 34,210 | 7.2% |
| 2010 | 37,884 | 1,333,518 | 35,200 | 7.7% |
| 2011 | 37,660 | 1,486,329 | 39,467 | 8.0% |
| 2012 | 37,273 | 1,606,522 | 43,101 | 6.1% |
| 2013 | 37,044 | * | * | 6.0% |

* Information not available

Notes:

Data provided is for the Fort Dodge Micropolitan Statistical Area consisting of Webster County

Sources: Bureau of Economic Analysis

(a) Bureau of Economic Analysis

(b) Iowa Workforce Development

**Principal Employers
Current Year and Ten Years Ago
(Unaudited)**

| Employer | 2014 | | | 2005 | | |
|----------------------------------|-----------|------|--------------------------------------|-----------|------|--------------------------------------|
| | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| Trinity Regional Hospital | 1,164 | 1 | 7.05% | 972 | 1 | 5.01% |
| Decker Truck Lines | 821 | 2 | 4.98% | 714 | 3 | 3.68% |
| Iowa Central Community College | 754 | 3 | 4.57% | 621 | 4 | 3.20% |
| Boehringer Ingelheim | 600 | 4 | 3.64% | 782 | 2 | 4.03% |
| Fort Dodge Community Schools | 486 | 5 | 2.95% | 494 | 5 | 2.55% |
| NEW Co-op | 290 | 6 | 1.76% | 160 | 10 | 0.82% |
| Fort Dodge Correctional Facility | 366 | 7 | 2.22% | 386 | 6 | 1.99% |
| Friendship Haven | 306 | 8 | 1.85% | 219 | 7 | 1.13% |
| Nestle Purina Pet Care Products | 186 | 9 | 1.13% | 150 | 11 | 0.77% |
| Silgan Containers | 185 | 10 | 1.12% | 149 | 12 | 0.77% |
| City of Fort Dodge | 180 | 11 | 1.09% | 187 | 8 | 0.96% |
| CJ Bio America | 170 | 12 | 1.03% | - | | 0.00% |
| Heartland Communications | 113 | 13 | 0.68% | 175 | 9 | 0.90% |
| United States Gypsum | 111 | 14 | 0.67% | 110 | 13 | 0.57% |
| National Gypsum | 74 | 15 | 0.45% | 72 | 14 | 0.37% |
| Georgia-Pacific Corporation | 70 | 16 | 0.42% | 92 | 15 | 0.47% |
| All other employers | 10,624 | | 64.39% | 14,117 | | 72.77% |
| Total | 16,500 | | 100.00% | 19,400 | | 100.00% |

Source: City of Fort Dodge and Iowa Department of Economic Development.

Fort Dodge Community School District

**Full-Time Equivalent District Employees By Type
Last Ten Fiscal Years
(Unaudited)**

| | Full-Time Equi | | | |
|-------------------------------|-----------------------|---------------|---------------|---------------|
| | 2005 | 2006 | 2007 | 2008 |
| Supervisory: | | | | |
| Superintendent | 1.00 | 1.00 | 1.00 | 1.00 |
| Principals | 7.00 | 8.00 | 8.00 | 8.00 |
| Assistant Principals | 3.00 | 4.00 | 5.00 | 5.00 |
| All other administrators | - | - | - | - |
| Total supervisory | 11.00 | 13.00 | 14.00 | 14.00 |
| Instruction: | | | | |
| Teachers | 285.59 | 309.58 | 312.40 | 295.40 |
| Paraprofessionals | 74.26 | 85.20 | 87.70 | 85.50 |
| All other instruction | 1.00 | 4.36 | 4.69 | 3.69 |
| Total instruction | 360.85 | 399.14 | 404.79 | 384.59 |
| Student services: | | | | |
| Guidance counselors | 11.00 | 10.00 | 12.00 | 12.00 |
| Media specialists/Librarians | 5.00 | 5.00 | 6.00 | 6.00 |
| Nurses | 8.00 | 8.00 | 8.00 | 8.00 |
| All other student services | 16.00 | 16.00 | 16.50 | 19.00 |
| Total student services | 40.00 | 39.00 | 42.50 | 45.00 |
| Support and administration: | | | | |
| Office/Clerical | 32.94 | 32.94 | 32.94 | 32.63 |
| Transportation | 8.90 | 8.90 | 8.90 | 8.90 |
| Custodial Maintenance | 35.00 | 37.00 | 37.00 | 37.00 |
| All other support | 8.00 | 8.00 | 7.00 | 6.00 |
| Total support and | 84.84 | 86.84 | 85.84 | 84.53 |
| Total | 496.69 | 537.98 | 547.13 | 528.12 |

Source: District records

Statistic 17

| valent Employees as of June 30, | | | | | | Percentage Change 2005 - 2014 |
|---------------------------------|--------|--------|--------|--------|--------|-------------------------------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.00% |
| 7.00 | 7.00 | 7.00 | 7.00 | 8.00 | 7.00 | 0.00% |
| 5.00 | 5.00 | 4.00 | 5.00 | 5.00 | 3.00 | 0.00% |
| - | - | - | - | - | 9.00 | |
| 13.00 | 13.00 | 12.00 | 13.00 | 14.00 | 20.00 | 81.82% |
| 286.56 | 268.56 | 269.74 | 258.92 | 252.58 | 253.58 | -11.21% |
| 85.04 | 97.72 | 94.56 | 95.12 | 91.56 | 99.57 | 34.08% |
| 4.68 | 1.63 | 1.19 | 3.00 | 2.00 | 2.84 | 184.00% |
| 376.28 | 367.91 | 365.49 | 357.04 | 346.14 | 355.99 | -1.35% |
| 11.00 | 12.00 | 11.00 | 11.00 | 11.00 | 10.00 | -9.09% |
| 5.00 | 5.00 | 4.00 | 4.00 | 3.00 | 1.00 | -80.00% |
| 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | -12.50% |
| 17.80 | 20.69 | 22.44 | 19.50 | 20.25 | 17.00 | 6.25% |
| 40.80 | 44.69 | 44.44 | 41.50 | 41.25 | 35.00 | -12.50% |
| 30.63 | 28.63 | 28.88 | 27.88 | 28.88 | 27.88 | -15.36% |
| 8.90 | 8.90 | 8.90 | 8.90 | 8.90 | 10.40 | 16.85% |
| 36.00 | 35.00 | 35.00 | 34.00 | 34.00 | 34.00 | -2.86% |
| 7.00 | 7.00 | 9.00 | 9.00 | 13.00 | 9.53 | 19.13% |
| 82.53 | 79.53 | 81.78 | 79.78 | 84.78 | 81.81 | -3.57% |
| 512.60 | 505.12 | 503.71 | 491.32 | 486.17 | 492.80 | -0.78% |

Fort Dodge Community School District

**Operating Statistics
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | Official Enrollment | Governmental Operating Expenditures | Cost Per Pupil | Percentage Change | Business-Type Total Expenses | Cost Per Pupil | Percentage Change |
|--------------------|----------------------------|--|-----------------------|--------------------------|-------------------------------------|-----------------------|--------------------------|
| 2005 | 4,170 | \$ 34,709,641 | \$ 8,324 | * | \$ 1,635,026 | \$ 392 | * |
| 2006 | 4,091 | 35,867,825 | 8,769 | 5.34 | 1,596,042 | 390 | (0.49) |
| 2007 | 4,079 | 38,369,197 | 9,406 | 7.27 | 1,616,751 | 396 | 1.58 |
| 2008 | 4,035 | 40,377,163 | 10,006 | 6.38 | 1,728,573 | 428 | 8.08 |
| 2009 | 3,983 | 42,718,681 | 10,725 | 7.18 | 1,753,249 | 440 | 2.75 |
| 2010 | 3,957 | 43,271,606 | 10,937 | 1.97 | 1,764,208 | 446 | 1.30 |
| 2011 | 3,817 | 42,595,259 | 11,160 | 2.04 | 1,848,393 | 484 | 8.61 |
| 2012 | 3,738 | 43,778,254 | 11,713 | 4.96 | 1,982,211 | 530 | 9.52 |
| 2013 | 3,656 | 43,150,945 | 11,801 | 0.75 | 1,961,295 | 536 | 1.14 |
| 2014 | 3,712 | 46,214,253 | 12,451 | 5.50 | 2,039,678 | 550 | 2.44 |

Source: District records

Note: Expenses represent business-type activity expenses, which includes

Statistic 18

| Teaching Staff (in FTE) | Pupil- Teacher Ratio | Percentage of Students Receiving Free or Reduced- Priced Meals |
|-------------------------------|----------------------------|---|
| 315.58 | 13.21 | 45.95% |
| 326.58 | 12.53 | 46.46 |
| 328.40 | 12.42 | 45.22 |
| 315.40 | 12.79 | 48.33 |
| 302.56 | 15.14 | 52.41 |
| 285.56 | 14.89 | 53.04 |
| 284.74 | 14.62 | 53.85 |
| 271.62 | 14.98 | 54.05 |
| 252.58 | 15.03 | 55.95 |
| 253.58 | 14.64 | 58.20 |

Fort Dodge Community School District

**School Building Information
Last Ten Fiscal Years
(Unaudited)**

| School | 2005 | 2006 | 2007 | 2008 | Fiscal 2009 |
|---------------------------------|-------------|-------------|-------------|-------------|------------------------|
| Elementary: | | | | | |
| Butler Elementary | | | | | |
| Square feet | 70,140 | 70,140 | 70,140 | 70,140 | 70,140 |
| Capacity | 462 | 462 | 462 | 462 | 462 |
| Enrollment | 369 | 344 | 340 | 339 | 349 |
| Cooper Elementary | | | | | |
| Square feet | 37,065 | 37,065 | 37,065 | 37,065 | 37,065 |
| Capacity | 352 | 352 | 352 | 352 | 352 |
| Enrollment | 248 | 264 | 264 | 260 | 254 |
| Duncombe Elementary | | | | | |
| Square feet | 46,075 | 46,075 | 46,075 | 46,075 | 46,075 |
| Capacity | 330 | 330 | 330 | 330 | 330 |
| Enrollment | 295 | 295 | 308 | 319 | 289 |
| Feelhaver Elementary | | | | | |
| Square feet | 26,741 | 26,741 | 26,741 | 26,741 | 26,741 |
| Capacity | 220 | 220 | 220 | 220 | 220 |
| Enrollment | 226 | 221 | 222 | 236 | 235 |
| Hillcrest Elementary | | | | | |
| Square feet | 23,942 | 23,942 | 23,942 | 23,942 | 23,942 |
| Capacity | | | | | |
| Enrollment | 148 | 173 | 161 | 152 | 121 |
| Middle Schools | | | | | |
| Fair Oaks Middle School | | | | | |
| Square feet | 112,706 | 112,706 | 112,706 | 112,706 | 112,706 |
| Capacity | 286 | 286 | 286 | 286 | 286 |
| Enrollment | 584 | 566 | 561 | 549 | 534 |
| Phillips Middle School | | | | | |
| Square feet | 149,480 | 149,480 | 149,480 | 149,480 | 149,480 |
| Capacity | 308 | 308 | 308 | 308 | 308 |
| Enrollment | 653 | 620 | 594 | 568 | 560 |
| Fort Dodge Middle School | | | | | |
| Square feet | - | - | - | - | - |
| Capacity | - | - | - | - | - |
| Enrollment | - | - | - | - | - |
| High School | | | | | |
| Fort Dodge Senior High | | | | | |
| Square feet | 248,300 | 248,300 | 248,300 | 248,300 | 248,300 |
| Capacity | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Enrollment | 1,252 | 1,243 | 1,232 | 1,274 | 1,207 |
| Other District Facilities | | | | | |
| Riverside Early Learning Center | | | | | |
| Square feet | 30,124 | 30,124 | 30,124 | 30,124 | 30,124 |
| Capacity | 308 | 308 | 308 | 308 | 308 |
| Enrollment | 162 | 163 | 150 | 157 | 172 |
| Arey Administration Building | | | | | |
| Square feet | 36,589 | 36,589 | 36,589 | 36,589 | 36,589 |
| Capacity | 418 | 418 | 418 | 418 | 418 |
| Bus Garage | | | | | |
| Square feet | 7,200 | 7,200 | 7,200 | 7,200 | 7,200 |
| Capacity | 286 | 286 | 286 | 286 | 286 |
| Dodger Stadium | | | | | |
| Square feet | 6,800 | 6,800 | 6,800 | 6,800 | 6,800 |
| Capacity | 418 | 418 | 418 | 418 | 418 |

Statistic 19

| Year | | | | |
|---------|---------|---------|---------|---------|
| 2010 | 2011 | 2012 | 2013 | 2014 |
| 70,140 | 70,140 | 70,140 | 70,140 | 70,140 |
| 462 | 462 | 462 | 462 | 462 |
| 333 | 345 | 448 | 467 | 481 |
| 37,065 | 37,065 | 37,065 | 37,065 | 37,065 |
| 352 | 352 | 352 | 352 | 352 |
| 261 | 247 | 289 | 271 | 268 |
| 46,075 | 46,075 | 46,075 | 46,075 | 46,075 |
| 330 | 330 | 330 | 330 | 330 |
| 297 | 268 | 302 | 352 | 315 |
| 26,741 | 26,741 | 26,741 | 26,741 | 26,741 |
| 220 | 220 | 220 | 220 | 220 |
| 231 | 225 | 218 | 234 | 231 |
| 23,942 | 23,942 | 23,942 | 23,942 | 23,942 |
| 125 | 143 | Closed | Closed | Closed |
| 112,706 | 112,706 | 112,706 | 112,706 | 112,706 |
| 286 | 286 | 286 | 286 | 286 |
| 521 | 526 | 488 | Closed | Closed |
| 149,480 | 149,480 | 149,480 | 149,480 | 149,480 |
| 308 | 308 | 308 | 308 | 308 |
| 488 | 515 | 510 | Closed | Closed |
| - | - | - | 190,123 | 190,123 |
| - | - | - | 1,200 | 1,200 |
| - | - | - | 1,017 | 1,046 |
| 248,300 | 248,300 | 248,300 | 248,300 | 248,300 |
| 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| 1,157 | 1,204 | 1,133 | 1,076 | 1,107 |
| 30,124 | 30,124 | 30,124 | 30,124 | 30,124 |
| 308 | 308 | 308 | 308 | 308 |
| 165 | 195 | 203 | 98 | 120 |
| 36,589 | 36,589 | 36,589 | 36,589 | 36,589 |
| 418 | 418 | 418 | 418 | 418 |
| 7,200 | 7,200 | 7,200 | 7,200 | 7,200 |
| 286 | 286 | 286 | 286 | 286 |
| 6,800 | 6,800 | 6,800 | 6,800 | 6,800 |
| 418 | 418 | 418 | 418 | 418 |

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

| Grantor/Program | CFDA Number | Grant Number | Expenditures |
|---|------------------------|-------------------------|----------------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| School Breakfast Program | 10.553 | FY 14 | \$ 254,250 |
| National School Lunch Program | 10.555 | FY 14 | 1,092,076 * |
| | | | <u>1,346,326</u> |
| Child and Adult Care Program | 10.558 | FY 14 | <u>66,508</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2313-G-14 | <u>1,150,279</u> |
| Special Education Grants to States | 84.027 | FY 14 | <u>216,522</u> |
| Career and Technical Education - Basic Grants to States | 84.048 | FY 14 | <u>54,386</u> |
| Rehabilitation Services - Vocational Rehabilitation - Grants to States | 84.126 | FY 14 | <u>51,607</u> |
| Improving Teacher Quality State Grants | 84.367 | FY 14 | <u>259,412</u> |
| Grants for State Assessments and Related Activities | 84.369 | FY 14 | <u>20,351</u> |
| U. S. Department of Health and Human Services: | | | |
| Iowa Department of Human Services: | | | |
| Temporary Assistance for Needy Families | 93.558 | FY 14 | <u>14,301</u> |
| Total | | | <u><u>\$ 3,179,692</u></u> |

* Includes \$128,624 of non-cash awards.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Fort Dodge Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of
Fort Dodge Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fort Dodge Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fort Dodge Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fort Dodge Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fort Dodge Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Dodge Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fort Dodge Community School District's Responses to Findings

Fort Dodge Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Fort Dodge Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schnurr & Company, LLP

Fort Dodge, Iowa
December 15, 2014

**Independent Auditor's Report on Compliance for
Each Major Federal Program and on Internal Control
over Compliance Required by OMB Circular A-133**

FORT DODGE COMMUNITY SCHOOL DISTRICT



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**Independent Auditor's Report on Compliance for
Each Major Federal Program and on Internal Control
over Compliance Required by OMB Circular A-133**

To the Board of Education of
Fort Dodge Community School District:

Report on Compliance for Each Major Federal Program

We have audited Fort Dodge Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Fort Dodge Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fort Dodge Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fort Dodge Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Fort Dodge Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Fort Dodge Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Fort Dodge Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fort Dodge Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fort Dodge Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schnurr & Company, LLP

Fort Dodge, Iowa
December 15, 2014

Fort Dodge Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) No significant deficiencies or material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fort Dodge Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

Part III: Summary of the Independent Auditor's Results:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

Schedule of Findings and Questioned Costs
(Continued)
Year ended June 30, 2014

Part IV: Other Findings Related To Required Statutory Reporting:

- IV-A-14 Certified Budget: Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.
- IV-B-14 Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-14 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-14 Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|--|--------------------------------|---------------|
| Kevin Rogers, Board Member | Officiating | \$ 193 |
| Brian Forsythe, Board Vice President Owner of Hyway Truck Equipment | School supplies and equipment | 8,394 |
| Heather Cochrane, daughter of Board President Cochrane | Teaching | 46,127 |

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with Board Member Rogers does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year. The transaction with Vice President Forsythe is in compliance with Chapter 279.7A since part of the cumulative amount was competitively bid. The transaction with Board President Cochrane's daughter does not represent a conflict of interest based on an Attorney General opinion dated April 1976.

- IV-E-14 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-14 Board Minutes: No transactions requiring Board approval that had not been approved by the Board were noted.
- IV-G-14 Certified Enrollment: The number of basic resident students and open enrolled in students reported to the Iowa Department of Education for October 1, 2013 was overstated by 2.0 students and 1.0 student, respectively.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response: We will contact the Iowa Department of Education and the Department of Managements as necessary.

Conclusion: Response accepted.

**Schedule of Findings and Questioned Costs
(Continued)
Year ended June 30, 2014**

Part IV: Other Findings Related To Required Statutory Reporting (Continued):

- IV-H-14 Supplementary Weighting: No variances regarding the supplementary weighting certified to the Department of Education were noted.
- IV-I-14 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-14 Certified Annual Report (CAR): The Certified Annual Report was timely certified to the Iowa Department of Education.
- IV-K-14 Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-14 Statewide Sales and Services Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | |
|------------------------------------|--------------|--------------------------|
| Beginning balance | | \$ 4,504,002 |
| Revenues: | | |
| Sales tax revenues | \$ 3,227,146 | |
| Interest | 8,135 | |
| Other local revenues | 352,301 | 3,587,582 |
| | | <u>8,091,584</u> |
| Expenditures: | | |
| School infrastructure construction | 1,604,905 | |
| Transfers to other funds: | | |
| Debt service fund | 2,625,790 | |
| Other transfers | 3,000,000 | 7,230,695 |
| | | <u>7,230,695</u> |
| Ending balance | | <u><u>\$ 860,889</u></u> |

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

